

Viability of a Student Loan Scheme in the Maldives

Fathimath Shakeela



Master Thesis

Master of Philosophy in Higher Education

Institute for Educational Research

Faculty of Education

UNIVERSITETET I OSLO

May 2010

ABSTRACT

Financing of higher education around the world are undergoing transformations. These transformations have also affected student financing. The grants are being replaced with student loans. This trend can also be seen in the Maldives, where there is a move towards cost sharing in higher education. Many countries have implemented student loan schemes based on economical and social rationales. However, many student loans around the world are implemented with poor planning and for this reason many student loan schemes are resulting in high repayment defaults and finally in the abandonment of the schemes.

The main purpose of this study was to investigate if the Maldives has the capacity to successfully implement a student loan scheme. Four research questions addressed the research aim. They were: What are the rationales behind establishing a student loan scheme in the Maldives? What are the conditions which need to be present in the Maldives, for a student loan scheme to work successfully? What are the challenges the Maldives will face when implementing a student loan scheme? And what are the strategies which could resolve these challenges?

The human capital theory was applied to form a theoretical framework for this study. To achieve the purpose of this study, a qualitative research strategy was implemented. The methods of data collection were semi-structured interviews and document reviews. In total five participants were interviewed. The participants were made up of politicians and policy makers in the government.

The findings from this study indicate that the Maldives do not have a strong legal framework where a student loan scheme can operate effectively to reduce default on the loans. Another challenge is the lack of an authentic way of identifying an individual's income. This is a crucial factor in the recovery of loans and as well in incorporating income contingent repayment conditions.

There are both economical and social justifications for establishing a student loan scheme in the Maldives. However the findings from this study indicate that there is a very strong economic rationale for establishing a student loan scheme in the Maldives. The main recommendation from this study is if the Maldives wants to implement an efficient student loan scheme, it is vital to make the student loan scheme a legal entity.

ACKNOWLEDGEMENT

This thesis would have not been possible without the support and encouragement from a number of people. Though it is not possible to name each and every person, there are some people who deserve special recognition.

I would like to take this opportunity to thank the Lånekassen for granting me a scholarship under the Quota Scheme Program to study in Norway. A special, thanks goes to the University of Oslo for accepting me as a student and giving me an excellent academic experience. The program director of Hedda, Professor Peter Maassen deserves special recognition for organizing such an excellent and dynamic programme, thank you!

My sincere gratitude goes to my supervisor Dr. Agnete Vabø, whose encouragement and positive comments were the driving forces behind completing this thesis on time. Your guidance and encouragement were unprecedented, tusen takk!

My heartfelt love and thanks goes to my parents and family members for their support and love. My parents are the reasons behind my motivation to study. Especially my mother, who made me realise the importance of education for a woman. I hope I have fulfilled a dream of yours and made you all proud. A special, thanks goes to my sisters and brothers for inspiring and pushing me to study further. I would have not come this far without all your support and thank you so much for playing a major role in aspiring me for higher education. I'll be forever indebted to all your support and love.

Last but not least, a very special thanks goes to my husband Mauroof, who had always been supportive in my quest for education. Thank you for your patience, endless encouragements and unconditional love.

To all of you my heartfelt thanks!

Fathimath Shakeela

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LIST OF ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
BML	Bank of Maldives
GDP	Gross Domestic Product
GNI	Gross National Income
IGLDC	Impact of Graduation from Least Developed Countries
IRLs	Income Related Loans
IT	Information Technology
KTB	Krung Thai Bank
MCHE	Maldives College of Higher Education
MDP	Maldivian Democratic Party
MFEO	Maldives Fiscal Outlook
MHRYS	Maldives Human Resources, Youth and Sports
NSFAS	National Student Financial Aid Scheme
NSLS 2010	National Student loan scheme 2010
SAARC	South Asian Association for Regional Cooperation
SLSC	Student Loan Scheme Council
SLSEA	Student Loans in South and East Asia
SNDP	Seventh National Development Plan
SYM	Statistical Yearbook of Maldives
TVM	Television Maldives
UNDP	United Nations Development Program
UNESCO	United Nations Education, Scientific and Cultural Organization

CHAPTER ONE

INTRODUCTION

1.1 COST SHARING IN HIGHER EDUCATION

Countries around the world take a keen interest in developing their human capital and to increase their knowledge economy as this is highly linked to a country's economic prosperity (Johnstone et al 2008). The main way to increase human capital and move towards a knowledge economy is by promoting higher education and providing opportunities for higher education. However, some countries, due to financial stringency find it a challenge in promoting higher education in their countries. Most developing countries depend on foreign donor agencies to develop higher education (Brock-Utne 2000). Many donor agencies see higher education as a luxury in some developing countries (Brock-Utne 2000). Of course, this is understandable since in some developing countries even offering a universal primary education is a challenge.

Nevertheless, the importance of higher education for the economic development of a country cannot be challenged. Bray argues that "... while basic education is necessary, it is not sufficient for economic development" (1998: 638). Brock-Utne (2000) states that the attitude of World Bank towards higher education in African countries led to the neglect of higher education in these countries. This perception of the World Bank has changed now and they have started to see the significance of higher education in the development process of developing countries (Brock-Utne 2000).

To promote higher education governments have to play an important role. One way is by establishing student loans. Many countries around the world offer student loans for the purpose of education. Normally, governments are taking the initiative in implementing student loan schemes, since governments can no longer keep offering free higher education and keep subsidising higher education (Johnstone et al 2008). Thus, governments have started encouraging more and more cost sharing¹ in higher education. Users of higher education are encouraged to participate in the cost. The cost of higher education is directed

¹ According to Johnstone et al, cost sharing is "the shift of some of the higher educational per-student costs from governments and taxpayers to parents and students" (2008: 9).

towards students and their parents. With the user charges in higher education, governments have implemented student loans, thus, financially less privileged students can borrow for their higher education (Johnstone et al 2008). The next section will present the purpose of this study

1.2 PURPOSE OF THE STUDY

The main purpose of this study is to analyse if the Maldives has the capacity to successfully implement a student loan scheme and to investigate how such a scheme will work in the Maldives. In addition, the study investigates the reasons why a student loan scheme is important for the Maldives.

1.2.1 Problem formulation

In the past, higher education was mainly offered free in the Maldives by the Maldives College of Higher Education [MCHE]. However, now slowly tuition fees are being introduced and grants given for students studying in some selected programs have been terminated since 2009. The State budget for MCHE has been reduced by MRF 20 million (MRF 20 million \approx US\$1,562,500), compared to the previous year (Haveeru News 2009). The sudden financial changes in the Maldivian higher education have resulted in several problems. There are concerns by some academics that the student enrolment at some of the Faculties has reduced and some enrolled students are dropping out of the programs. Furthermore, there has been concern from students in grade 12 about their higher education opportunities (Dhivehi Observer 2009a).

In late 2008 the new government announced its intentions to implement a student loan scheme. The Manifesto of the ruling party, Maldives Democratic Party [MDP] states this as one of their policies for education,

“provide financial support to those enrolling in higher education and vocational training; the government will finance a certain percentage of the course fees while the loans can be borrowed as a minimum interest loan. Assistance will be greater to those studying in fields which are required more for the economy and nation” (MDP 2008: 1).

A National Student Loan Scheme [NSLS] was established in February 2010 by Ministry of Education and Ministry of Human Resources, Youth and Sports. A Bill concerning student

loans was debated in the Parliament and is undergoing further revisions in the development committee (Peoples Majlis 2009 and Dhivehi Observer 2009b).

Before designing and implementing a student loan scheme, one needs to find answers to several crucial questions. Is it feasible to implement such a scheme in the Maldives? What are the challenges the Maldives will face in implementing such a scheme? Does the Maldives have the infrastructure to implement such a scheme? How will students and the public react to a student loan scheme? Though the government's intentions in implementing such a scheme are noble and this is for the economic prosperity of the country, there are crucial issues involved which need to be carefully analysed and researched.

Maldives need to increase its human capital if further economic development is needed as suggested by the Asian Development Bank [ADB]. "The country needs to address its shortage of skills and weak institutional capacity" (ADB 2009: 205). Hence to encourage more students to enter higher education a student loan scheme is essential. Moreover labour market of Maldives urgently needs a workforce with different skills (Seventh National Development Plan [SNDP] 2006-2010 2007). Due to this lack of skills the Maldives has a high proportion of foreign employees in various economic sectors of the country. It is estimated that foreigners comprised more than 30 percent of total workforce in 2008 (United Nations Education, Scientific and Cultural Organization [UNESCO] 2009).

This is a vital topic at this very critical moment for the Maldives which needs to be researched. Furthermore exploring and understanding ways of overcoming the obstacles of implementing such a scheme is important for the sustainability of a student loan scheme.

1.2.2 Research questions

The main objective of this study is to investigate if the Maldives has the capacity to implement a student loan scheme and to investigate the reasons why the Maldives need a student loan scheme. To achieve the objective of this study, four questions were formulated. These were:

1. What are the rationales behind establishing a student loan scheme in the Maldives?
2. What are the conditions which need to be present in the Maldives, for a student loan scheme to work successfully?

3. What are the challenges the Maldives will face when implementing a student loan scheme?
4. What are the strategies which could resolve these challenges?

The next section will discuss the significance of this study.

1.3 SIGNIFICANCE OF THE STUDY

Though, this study does not bring out any new theories in the field of cost sharing, it does provide insight into student financing in a small micro state like the Maldives. Thus, this study will fill the knowledge gap in financing student loans in a small micro state.

In addition, this study highlights critical issues for establishing a student loan scheme, which the policy makers need to think when formulating policies. In particular, this study anticipates bringing to the attention of the government and the policy makers the importance of a student loan scheme in the Maldives.

1.4 STRUCTURE OF THE THESIS

This study is comprised of five chapters. The first chapter presented the introduction of this study. It consisted of the problem formulation for this study with the purpose of the research. It also included the research questions and the significance of this study.

The second chapter starts with definitions of some concepts for this study. It describes how student loans and cost-sharing is defined for the purpose of this study. The next section includes some relevant literature on the area of student loans. Some advantages of student loan schemes, core characteristics of student loan schemes, suggestions for student loan schemes, student loans in developing countries, and feasibility of income contingent loans in developing countries are presented. The third section discusses the theoretical framework adopted for this study. The human capital theory is used as the main theory for this study and the relevance of the theory for this study is presented. This chapter also presents a framework to illustrate the transformations in the Maldivian higher education system.

The third chapter presents the methodology for this study. It includes the research strategy, and methods used for data collections. A qualitative research strategy was implemented and the included interviews and document reviews. The interviews were coded to extract information for the research questions.

Chapter four firstly presents a background of the Maldives. This is followed by the main findings of this research. Following this, a discussion on the findings is presented.

The last chapter, chapter five presents the conclusion and the recommendations of this study. This chapter also includes suggestions for further research.

The following chapter, chapter two presents the theoretical background of this study.

CHAPTER TWO

THEORETICAL BACKGROUND

2.1 INTRODUCTION

This chapter, presents how some concepts are defined for the purpose of this study and relevant literature pertaining to the study of student loans. The section on relevant literatures will discuss the following. Firstly a discussion on some benefits of a student loan scheme and the different types of student loans are presented. Secondly the viability of income contingent loans in developing countries is presented. Lastly, this section presents a discussion on some core characteristics of a well designed student loan scheme. The third part of this chapter presents the theoretical framework of this study. The main theory adopted for this study is the human capital theory. The relevance of the theory to this study is discussed. Transformation of higher education in the Maldives will be also reflected in this chapter. This will provide an understanding of the government's policies on encouraging cost-sharing in the Maldives.

2.2 DEFINITION OF KEY CONCEPTS

For the purpose of this research, it is important to clarify several concepts used in this research. Student loan is the core basis of this research, hence it is important to define how it is used in this paper. Student loans are defined as loans given to students for the purpose of higher education, for tuition or maintenance or for both (Barr 2003). These loans can contain a component of grants. The repayments can be linked to the income of a borrower (graduate) or it can be a fix amount with a certain amount of interest.

The concept of cost sharing is closely linked to student loans. According to Johnstone, “the shift in the burden of higher education costs from being borne exclusively or predominantly by governments, or taxpayers, to being shared with parents and students” (2003: 351) is referred to as cost-sharing in higher education. Cost sharing can have different meanings in different contexts. For example, in Europe where tuition fees are small or predominantly free, “cost sharing generally refers to an intended shift of at least some instructional costs from an overwhelming reliance on governments or taxpayers to being shared as well by

parents and students” (Johnstone 2008: 56). Whereas in the United States where tuition fees has been high, cost sharing means a shift towards a greater cost sharing by students and parents with a sharp increase in tuition fees, “considerably in excess of the increases in the costs of instruction, thus allowing and partially compensating for reductions in the share borne by governments or taxpayers” (Johnstone 2008: 57).

Cost sharing policies are normally implemented with student financial assistance programs such as with a student loan scheme. So higher education will be free for the student at the point of use but the graduate (former student or borrower) has to pay the loans after graduation. In the Maldivian higher education system there is a shift from grants to student loans, public institutions are implementing tuition fees. Thus, cost sharing in the Maldivian context seems to be closely related to the definition of cost sharing in the European context.

The next section will introduce some key literature on student loans. This section will also present some features essential for student loan schemes in developing countries.

2.3 POTENTIAL BENEFITS OF A STUDENT LOAN SCHEME

With a student loan scheme governments can indirectly achieve several benefits which could strengthen the higher education system of a country. These objectives can be reflected in the rationales why a government wants to implement a student loan scheme, these rationales can further help shape the student loan schemes, and are associated with the benefits of a student loan scheme.

2.3.1 Increase Participation in Higher Education and Enhance Equity

Student loan schemes can help eliminate some of the barriers to enter higher education, especially for students from disadvantaged backgrounds and this could improve equity among the citizens (Barr 2003). Governments around the world believe higher education as a core ingredient in the economic development of a country. According to Barr and Crawford “everyone supports widening participation in the interest of social justice, and also for reasons of national economic performance” (2005: 234).

It is known even today that higher education are partaken by the children of well-to-do families. Thus, with a student loan scheme society could strive for equity (Johnstone 2008). Higher education in many countries is highly subsidised with public resources and funded

through income taxes. Many argue that this is like taking money from poor and giving to the rich. A poor non graduate worker may have to pay income tax. A portion of this tax is used to subsidise higher education for the rich, benefiting the rich creating more inequality in the society (Barr 2003). As a result it is believed that a student loan scheme will create conditions which will lead to social justice and equity (Johnstone 2008).

Making higher education free with no tuition fees will not lead to increased student participation (Johnstone et al 2008). Students from low socio-economic families may still not have the means of financing their living and for their books, when in college. This brings out the issue of charging tuition fees and effect on access into higher education. According to Johnstone et al (2008) research in economics of education has disproved these assumptions that free higher education is more equitable and increases participation in higher education. On the other hand, Barr (2003) stated that there is no empirical evidence that an absence of tuition fees increases participation in higher education. Research done in several countries also confirms this:

“Evidence from Finland, Norway, Denmark and Sweden, for example, shows that the absence of fees does not help to boost participation of students with low socio-economic status. Neither did the abolition of tuition fees in Ireland in the mid-1990s lead to increased participation from lower socio-economic status students” (Johnstone et al 2008: 9).

Hence this justifies and highlights the importance of establishing a student loan scheme, which will provide opportunities for students from low socio-economic families. However, here it is also important to acknowledge that there can be other barriers to enter higher education other than financial issues. Some of these barriers could be information, aspiration and preparedness to enter higher education (Johnstone et al 2008). Barr (2004) argues that it is immoral if people with aptitude and desire are denied access to higher education since they cannot afford it. He further stated that it is also immoral if earlier underfunded education means they do not even aspire for higher education. Nevertheless, students who cannot enter higher education due to a lack of finances would benefit from a student loan scheme. It should also be noted here that by, only having an excellent student loan scheme will not encourage students entering higher education. Indeed there could be a number of other issues affecting student's choice as mentioned above.

2.3.2 Increase Quality of Education

When we pay for something we are more concerned with the quality of products purchased and demand for more quality. According to Eicher and Chevaillier “when the customer pays for what he gets, he is entitled to pass judgment over the product” (2002a: 74) thereby improving the quality of the products in the future. As such, when students start to pay for their higher education they will demand for better services and quality, resulting in internal efficiency of educational institutions (Eicher and Chevaillier 2002a). The higher education institutions will feel the pressure to improve its services and the quality of education offered since students can choose other institutions which provide better quality and services.

Furthermore economists argue that if something is free it could be over consumed by the users. “People are inclined not to appreciate what they do not have to pay for and consume free goods indiscriminately and wastefully” (Eicher and Chevaillier 2002a: 74). According to Johnstone (2008) if students do not have to pay for their education they tend to consume education with insufficient academic effort since too little is forgone by the students. Hence with a student loan scheme where students have to pay back certain amount after graduation it would deter students who are not serious about studies. This in turn would make higher education more efficient and improve the quality of graduates.

2.3.3 Alternative Funding for Higher Education Institutions

It is widely agreed that governments can no longer fully fund a country’s higher education system (Barr 2003). The notion of free higher education is an old perspective and there are many arguments which disprove this notion, as discussed in section 2.3.1.

There is also a change in the funding behaviour of governments towards higher education. Over the years governments are distancing themselves from funding higher education. McGuiness (2005) states that due to the economic downturn of the early 2000’s the States could not fund for higher education with the increasing enrolment. Moreover McGuiness (2005) further argued that “...public higher education over the past 20 years have tended to rise and fall in relation to the state of the economy” (2005: 5).

According to Maassen and Cloete (2002) although the government support for higher education is decreasing the societies demand for higher education is increasing. For this reason universities should adopt more entrepreneurial features (Maassen and Cloete 2002).

In most developing countries State owned higher education institutions has introduced tuition fees since they cannot fully fund the institutions and based on the rationale that it is the right thing to do both socially and economically (Johnstone et al 2008 Barr 2003). Even in developing countries this trend of introducing tuition fees has begun. This indicates that there is a necessity by these governments and they can no longer take the main responsibility of providing free higher education.

Introducing tuition fees is an issue emotionally debated in the society and among the politicians (Johnstone 2008). This is a sensitive issue linked to both to the economy and the politics of a country. As discussed before, offering free higher education will not provide social equity nor increase participation in higher education. One of the recipes to increase participation is having an efficient student loan scheme. Therefore introducing tuition fees and introducing a student loan scheme should go hand in hand.

Student loan schemes can act as a means of funding the higher education institutions in a country. By giving the money to the students and providing freedom for them to choose the institution they want to attend will create competition among the intuitions, leading to better quality and services. However Eicher and Chevaillier (2002a) argue that such competition does not mean a good thing since it could lead to '*faddism*' and lead to poor quality and attract more students. Quality is a central issue in higher education. Governments are using market-based policy instruments in higher education to enhance quality in higher education (Dill 2007). These market approaches can work in favour of improving the quality of education but alternatively, these can also work in a negative way (Dill 2007). The next section will discuss different types of student loans.

2.4 DIFFERENT TYPES OF STUDENT LOANS

There are different types of student loan schemes offered in different countries. Some countries use more than one scheme to offer students loans for the purpose of education. Conventional mortgage loans and government guaranteed bank loans are different types of student loan. These two loan types are discussed below.

2.4.1 Conventional Mortgage Loans

Under this type of loans, graduates have to repay in a fixed period of time. The repayment can either be a monthly fixed amount or the monthly repayment amount can increase over

time. This type of loans carry an interest rate expressed as an annual percentage of the amount borrowed (Johnstone 2005). The interest rate can also vary over time. The repayments do not depend on the borrower's income.

2.4.2 Government Guaranteed Bank Loans

These types of loans are offered to students by the commercial banks in a country with a guarantee from the government. Students borrow from banks for the purpose of education and upon completion they have to pay a fixed amount each month for a fixed period of time. The payment does not depend on how much the student earns after graduation.

Banks are always concerned with default from such lending and generally do not lend for the purpose of education. When a government become a guarantor the uncertainty on recovery is solved for the lending banks. Chapman (2008) states that such government guaranteed bank loans solves the problem for banks, however this creates two problems for borrowing students. These type of loans require a borrower to pay during a fixed period time and does not depend on the capacity to pay hence leading to "both default-risk and the prospect of future financial hardships" (Chapman 2008: 82). These limitations in the repayment would discourage students from poor backgrounds from borrowing.

2.5 INCOME RELATED STUDENT LOANS

Income related loans [IRLs] have different forms of income contingent conditions with different economic and social outcomes. According to Chapman (2008) these forms are: income contingent with risk pooling, income contingent with risk-sharing, graduate taxes and human capital contracts. Chapman (2008) states that there are two advantages of IRLs compared to government guaranteed student loans. These advantages are:

- First, if designed well, it has the potential for complete default protection for borrowers that is a graduate will not go broke because of inability to make repayments.
- Secondly, IRLs provide consumption-smoothing, that is IRLs have the potential of reducing or eliminating repayment with financial hardships.

2.5.1 Graduate Tax

A graduate tax refers to an income related financial mechanism where a graduate who benefited from higher education or who attended higher education has to pay. This type of tax applies when a government subsidises higher education costs, with no tuition fee or a very low tuition fee. Normally students are also given a maintenance grant, in return to the subsidisation provided by the government. After graduation the graduates pay a tax called the graduate tax. The graduate tax is normally for the entire earning lifetime. When a graduate tax is applied for the entire lifetime of a person, the repayment could exceed the amount spent on higher education for an individual.

According to Chapman (2008) there is a significant difference between graduate taxes and income related loans. The graduate tax is not based on cost recovery on higher education, as mentioned above. When a graduate tax is applied for the lifetime income it means an individual will be paying more than one has spent on higher education.

2.5.2 Income Contingent Loans

There are two main types of income contingent loans, these are: income contingent with risk pooling and income contingent with risk-sharing.

2.5.2.1 Income contingent with risk pooling

The first form of income contingent loans is income contingent with risk pooling. According to Chapman (2008) this type of an income contingent loan is a system where a cohort of students signing up on the debt repayment, is also agreeing to take the responsibility of paying the debt of students who are unable to do so. This type of loans acts as an insurance against default and non repayment since the loan will be shared among the graduates. Those graduates who earn more will be paying more and those who earn less will be paying less but some part of the loan of low earners will be transferred to high earning graduates.

Chapman (2008) states there are several disadvantages with such IRLs, since income contingent with risk pooling encourages moral hazard and adverse selection. Students who are willing to borrow from a risk-pooling of IRLs can be students who expect their future income to be low or average. Next this scheme is forced on taxing graduates who earn more so some may deliberately behave in a way which minimises their income.

2.5.2.2 *Income contingent with risk-sharing*

Income contingent with risk-sharing is different to income contingent with risk-pooling in the sense that the repayments in risk-sharing IRLs do not depend on the income or payment of other borrowers. The cost of income contingency is shared with the taxpayers or the government and not with other borrowers (Chapman 2008). Moreover the adverse effects and moral hazard in risk-pooling IRLs are minimised in risk-sharing IRLs. Since high income borrowers do not have to take the burden of low income borrows. Even if the lenders receive less than expected there will be no penalties for other borrowers.

2.5.3 **Human Capital Contracts**

According to Chapman (2008) human capital contracts are contracts where students are obligated to pay a certain percentage of their future income for a certain number of years, in exchange for funding their higher education.

“The instrument would be a contract by which an individual obtains resources to finance his or her education by committing a percentage of his or her income for a predefined period of time after graduation” (Palacios 2002: 4).

Human capital contracts are similar to graduate taxes where students agree to pay a certain percentage of their income over a number of years and repayment could exceed the amount borrowed. Borrowers who earn more will pay more than what they borrowed and borrowers who earn less will pay less than what they borrowed (Chapman 2008). Some opponents of human capital contracts argue that this contract promote partial slavery. However, Palacios (2002) dismisses this by stressing that as long as graduates are free to make their career choices and employment choices, then this would be not slavery. The next section will discuss the viability of income contingent loans in developing countries.

2.6 **VIABILITY OF INCOME CONTINGENT LOANS IN DEVELOPING COUNTRIES**

Are income contingent loans feasible in developing countries? Income contingent loan has become a very attractive and a popular means of funding higher education. The acceptance and popularity of this type of loans are linked to its easy repayments which protects the borrower from financial hardships. An income contingent loan

“carries a contractual obligation to repay some percentage of future earnings generally until the loan is repaid at the contractual rate of interest or until the borrower has repaid for a maximum number of years. The borrower who has repaid the maximum number of years without paying off his or her loan at the contractual rate of interest is released from further obligations and thus granted a subsidy, or an effective grant.” (Johnstone 2004: 3).

If higher education attained by a borrower is not paying off well, the borrower is given a concession by writing off any remaining loans after paying for a maximum number of years, for example after paying for 25 years. The convenience of repayment also reduces the default on recovery. Therefore, income contingent has advantages both to the borrower and the lenders. The convenience of repayment gives an assurance that the loans will be repaid reducing default and the convenience of repayment protects the borrower from financial hardships during repayment (Johnstone 2004).

According to Johnstone (2004) establishing income contingent loan could be a major challenge for developing countries, especially in countries where the incomes of citizens are difficult to identify. In some developing countries there is no way to identify ones income level, this is due to a lack of proper income taxation systems. Income of a person could be multiple and highly variable, “income that can be easily shifted between a borrower and a non- borrower member of the family all constitute great problems for the viability of an income contingent loan scheme” (Johnstone 2004: 5). However in highly industrialised countries with highly advanced mechanisms for monitoring and reporting of income has succeeded in overcoming this problem. Johnstone further argues that “conventional student loans are also problematic and that most loan programs in most developing and transitional countries have been plagued with very low recovery rates” (2004: 5).

Finally Johnstone (2004) came into the conclusion that the Australian type higher education cost-sharing type income contingent loan plan will not benefit developing countries in creating alternative non-governmental revenue stream to the higher education institutions. Some of the reasons why this will not work include difficulty in identifying income, and migration of graduates to other countries. Nevertheless Johnstone states

“Cost-sharing in the form of income contingent loan obligations held by the government is better than no cost sharing at all. But this form will not solve higher

education's immediate revenue problems because it does not provide significant amounts of new money" (2004: 11).

Hence it would be a good idea to incorporate income contingent repayment options as much as possible. Now let's look at some suggestions for student loans in developing countries by some researchers.

2.7 SUGGESTIONS FOR STUDENT LOAN SCHEMES IN DEVELOPING COUNTRIES

For any activity to be successful a set of well organised policies are a must. Policies tend to make an activity more focused and further implements objectives which need to be achieved over a period of time. Even when designing a student loan scheme it is crucial to set forth policies for the smooth running of such schemes.

Johnstone (2004) and Woodhall (1992) recommended several factors and actions which need to be implemented in developing countries to establish a student loan scheme. These recommendations are:

- Higher education institutions should supplement the limited government funding with more cost sharing by students and their parents that is by charging tuition fees.
- Tuition fees should be introduced only after policies are put in place for a student loan scheme. Loans for students should be both means-tested and as well as generally available, so everyone has an opportunity for borrowing.
- The setting of tuition fees should be as depoliticised as possible. The governments should involve independent bodies and higher education institutions to establish the base year tuition fees and also a schedule how increases will follow over the years.
- Student loan schemes should be minimally subsidised. The scheme should be designed in a way which collects close to the amount that was lent. The purchasing power of the capital of a student loan should be maintained.
- The student loan schemes should be a legal entity with legal authority to collect and recover the loans. The loan scheme should have the authority to verify the financial conditions of graduates and enforce employers legally to collect and repayment of loans from the employees. Moreover there is a need for "a sound legal framework for student loans, to ensure that loan recovery is legally enforceable" (Woodhall 1992: 352).

- Effective record keeping with technology to maintain accurate records and to track borrowers and their income.
- Student loans should have an income contingent repayment option.
- Lenient procedures need to be added to conventional mortgage type loans to accommodate borrowers with low earnings.
- Easy repayments terms and sufficiently enough time to pay back the loans should be incorporated.
- Parents and family members should be the guarantors for the student loans. It is believed, this would make the family members to emphasise to the borrowing student that loans are an obligation which should be repaid. In addition Woodhall states the need for “publicity campaigns to ensure widespread understanding and acceptance of the principles of student loans and the importance of the obligation to repay loans” (1992: 352).
- The government also needs to sign backing up the co-signatories, this is especially recommended for students from poorer families.
- A policy of passport² controls on students going abroad for higher education, especially those leaving the country with student debts.

The next section will discuss some core characteristics of a well designed student loan scheme.

2.8 CORE CHARACTERISTICS OF A WELL DESIGNED STUDENT LOAN SCHEME

A well designed student loan schemes should have characteristics which facilitate efficient management of a loan scheme. These characteristics are vital ingredients for the success and survival of a student loan scheme. Barr (2004) states three core characteristics of a well designed loan scheme: income contingent repayment conditions, rational interest rate and large enough to cover tuition fees and realistic living costs.

² Barr (2004) states that with the enlargement of EU default on student loans will increase in Europe, with the high graduate mobility among the European countries and this stresses the importance for a strong contract design. In the Australian loan repayment, graduates who are out of Australian tax net has no liability of repayment, Barr (2004) assert that with interest subsidies this is a costly error. Whereas in the UK a graduate out of UK is not exempted from repayment. All these experiences suggest and call out loud for the need for a stronger loan contract design. However “.... there is no question of emigration causing a repayment back hole” (Barr 2004: 279).

2.8.1 Income Contingent Repayment Conditions

Income contingent repayments protect the borrower from financial hardships and it is expected to be more favourable to low-income students (Albrecht and Ziderman 1991). Borrowing is a risky process, especially for education since the future value of a degree is not immediately apparent. Moreover borrowing for education is a risky business since it is unlike borrowing to buy a house.

According to Barr (2004) the value of a house will increase over time. In case of default the house can be sold to pay the loan. Even if the borrower disappears, the borrower cannot take the house with him/her. But the value of a degree is uncertain as it depends very much on future prospects, even if a borrower fails his exams he has to pay the loan borrowed but without the qualification. Hence for this reason if the loan repayment is linked to an income contingent schedule the monthly deductions from salary will be based on the borrower's monthly income. This is one of the advantages of income contingent loans compared to mortgage type loans. Furthermore "... mortgage loans may deter access among the very groups that loans are intended to reach" (Albrecht and Ziderman 1991: 4).

According to Barr (2004) conventional loans lead to ineffective low borrowing and lending. This leads to low participation in higher education. Students from poorer backgrounds will be discouraged to borrow for education and to take a risk due to a lack of information on the benefits of a qualification (Barr 2004). Hence an income contingent repayment seems to be more favourable since low earners make low payments or no payments at all. "In efficiency terms, income contingent loans are designed explicitly to protect borrowers from excessive risk; in equity terms, they assist access because they have built-in insurance against inability to repay" (Barr 2004: 270).

2.8.2 Rational Interest Rate

If a student loan is subsidised it will charge an interest that is less than normal market rates for borrowing (Albrecht and Ziderman 1991). Interest subsidies or hidden grants are ineffective as they increase the default of a loan. In addition Barr (2004) states that interest subsidies will not promote access by preventing excessive debt but these blanket interest subsidies will cause inefficiency, inequity and it is deeply regressive. In the UK one third of all money lend to all students are not repaid due to this interest subsidy, and it also impedes access into higher education since loans are expensive and is rationed among the students.

Hence this rationing impedes access of students from poorer backgrounds into higher education (Barr 2004).

Furthermore Barr (2004) states that interest subsidies help low earning graduates just slightly, as unpaid loan is eventually forgiven after many years (sometimes 25 within years). On the other hand high earning graduates can pay off their loans faster, with an income contingent repayment. The repayment depends on the income and interest rate only affect the duration of loans. Paying faster in less time, means less interest having to pay, benefiting high earning graduates more. Thus, interest subsidies make student loans highly regressive.

Many researchers on economics of education agree that the simplest arrangement would be to charge an interest which is not lower than the governments cost of borrowing (Barr 2004 Ziderman 2003 Johnstone 2004 and Johnstone et al 2008).

2.8.3 Sufficient to cover living and tuition fees

Another core ingredient for a successful loan scheme is to provide loans which are sufficient to cover living cost and tuition fees. As this can prevent student poverty and give enough time to students to study rather than having to spend long hours working to make the ends meet and failing in exams. Barr states an important step the governments could take to prevent this, is having “a ceiling on borrowing each year and on the number of years for which a student may borrow would offer protection against improvidence” (2004: 271).

The next section will discuss the theoretical framework adopted for this study.

2.9 THEORETICAL FRAMEWORK

The main theory used in formulating the theoretical framework for this study is the human capital theory. Human capital theory is vastly used in different areas to form theoretical frameworks, for example in management, social sciences and health sciences to name a few. The discussions will look at some criticism of the human capital theory as well as some limitations of the human capital theory. The link between the theoretical framework adopted and the study is also presented.

2.9.1 Human Capital Theory

Education is treated as an economic good because it offers the consumers of education with utilities and also serves as an input in the production of other goods and services (Olaniyan and Okemakinde 2008). As a capital good, education can be used as a tool to enhance human resources which are necessary for economic and social modernisations. “This focus of education as a capital good relates to the concept of human capital” (Olaniyan and Okemakinde 2008: 157), and which emphasises that developing skills is an important factor in the production activities.

The first person to identify the link between education and development was Adam Smith. He pointed that education made workers more productive. Adam Smith enquired into the nature of wealth and economic growth. This started the study in this area, particularly the study by Adam Smith on “The Wealth of Nations (1776)” was the very first in this area, he stated that “A man educated at the expense of much labour and time... may be compared to one of those expensive machines” (Smith 1776 cited by Vossensteyn 2005: 56). Later this was further developed by Theodore Schultz in 1961. He was the first to acknowledge education as an investment in human capital and economic development. In 1960 Theodore Schultz made a presidential address to the American Economic Association in which he stated that education should not be treated simply as a form of consumption but rather it should be also viewed as a productive investment (Fägerlind and Saha 1989). He further stressed that an educated population provides the labour force necessary for industrial development and economic growth (Fägerlind and Saha 1989). Milton Friedman, Sherwin Rosen, Jacob Mincer, Gary Becker were some of the scholars who further contributed to this area.

The basic idea behind human capital theory is that, an educated population will be more productive and contribute to the economic development of a country. According to Olaniyan and Okemakinde (2008), human capital theory is based on the assumption that education is highly instrumental and is a vital factor which is necessary to improve the production capacity of a population. Thus, “human capital theory postulates that the most efficient path to the national development of any society lies in the improvement of its population, that is, its human capital” (Fägerlind and Saha 1989: 18).

Many societies have seen the reward in investing in human capital which led to the rapid economic development and modernisation in these societies. Thus, human capital theory justifies the need for developing and developed countries to invest large public expenditure on education (Olaniyan and Okemakinde 2008). Economists now believe that natural resources such as oil or coal are not the determinant factor of a country's economic and social development, but rather

“human beings are the active agencies who accumulate capital, exploit natural resources, build social, economic and political organization, and carry forward national development” (Psacharopoulos and Woodhall 1997 cited by Olaniyan and Okemakinde 2008: 158).

Therefore, the success and the capacity to compete in a global economy are linked to a strong human capital. Thus, this justifies the importance of public subsidisation of education. Many developing countries are now aware that the education system is the principle mechanism for developing human knowledge (Olaniyan and Okemakinde 2008). Therefore countries invest huge amounts of capital to develop education as this will affect economic prosperity and development.

According to Fägerlind and Saha (1989) based on the assumptions of human capital and modernisation theorists, in developing countries, educational demand must be moderated to control the cost and benefits to a realistic level. One of the suggestions provided by them is that, the cost of education should be borne by the beneficiaries or the recipient that is through families or self sponsorship rather than solely the State. This point again justifies why the state and the students should share the cost of higher education, as the State cannot keep providing free higher education through limited resources, when other public sectors also demand for these scarce resources. Both the State and the students are the beneficiaries of higher education this means the State should also subsidise higher education to a certain realistic level, this further highlights the importance of a national student loan scheme.

In addition, if the assertions made by human capital theorists are correct that the primary factor in higher income is through education. This obviously means then there should be opportunities for education from low-income groups of the society so that inequalities can be reduced (Olaniyan and Okemakinde 2008). It is also widely accepted that higher education is the key strategy in increasing economic growth and reducing a society's inequalities (Mora and Vila 2003). In this regard, Chapman et al (2009) states that with student loans,

inequalities can be reduced by increasing participation and eventually result in a country's economic growth. This suggests that the primary focus of the subsidies to higher education should be ensuring that there is an opportunity to access higher education rather than reducing costs for those who will undertake higher education in any case (Olaniyan and Okemakinde 2008). Thus, to ensure access to higher education availability of efficient student loans are crucial, which does not lead to financial hardships after graduation so students from low-income groups are not discouraged from taking the loans.

2.9.2 Criticism on the Human Capital Theory

Human capital theory had been criticised for several reasons. There are questions as to which extent human investments on education are directly related to improvement in occupation and income (Olaniyan and Okemakinde 2008). In some instances a person's income may remain the same or change a little even after higher education, as increases in income depends on other factors such as the number of years in service and other benefits which depend on the duration of service. This seems to be the case in some sectors in the Maldives. A person with a secondary or primary education who served for more years than a graduate can have a higher income on the same position. Psacharopoulos and Patrinos (2002) state that in developing countries there is a need to investigate the correlation between higher education and earnings so a proper analysis of returns to education can be made.

A shortage of skills or educated people in a country will limit its economic growth. Alternatively, huge numbers of educated people will lead to unemployment and disruption in a country, which will lead to economic deterioration and social problems (Carnoy 2006). Hence there is a concern on how to maintain an equilibrium, "that is, where there will be no evidence of either shortage or surplus supply of educated people" (Babalola 2003 cited by Olaniyan and Okemakinde 2008: 160). They further stated that, this is a problem associated by treating education as a good for economic growth. Thus, an assumption of the human capital theory, is that the more number of human capitals the greater the benefits are questionable.

Human capital theory also assumes that workers are more productive as a result of education and does not take in to account that there can be other factors which can contribute to the productivity of the workers. For example job satisfaction and reward structures, appropriate attitudes, motivation and other personal characteristics (Fägerlind and Saha 1989). Fägerlind

and Saha (1989) further stated that, the human capital theory does not consider that education can be a ‘screening device’ but not an indication of skills.

Vossensteyn (2005) states that there are many questionable assumptions in the human capital theory. The human capital theory do not account that students may choose higher education for consumption benefits such as self satisfaction, their own curiosity rather than for investment motives (Vossensteyn 2005).

In addition it is also believed that investing in education would decrease the social inequalities through higher income of citizens from different backgrounds. However, according to Bronchi (2003 cited by Olaniyan and Okemakinde 2008) under certain circumstances rising the level of education in a society can lead to inequalities in income distribution.

Human capital theory assumes that the labour market in which educated workers compete is a perfect one and workers with more skills get the better jobs (Fägerlind and Saha 1989). However, there can be other factors affecting selection for a job, for example experience. It is believed in the classical economics that students are perfectly informed and they exploit all alternatives before making a decision, in other words they choose the option which will lead to the highest level of lifetime utility (Vossensteyn 2005). However in reality this is hardly the case, as decisions making are highly complex processes and depends on many other factors.

For example a student from a disadvantaged background may not have information regarding the cost benefits of taking a loan for higher education and may be hesitant to take a loan. Due to religious beliefs³ (refer to section 4.3.4) a student may not take a student loan with interest even though the cost benefit will be great. According to Scott

“the fact that people act rationally has, of course, been recognised by many sociologists, but they have seen rationale actions alongside other forms of actions, seeing human action as involving both rational and non-rational elements. Such views of action recognise traditional or habitual action, emotional or affectual actions and various forms of value-oriented actions alongside the purely rational types of action” (2000: 126).

³ Some Muslims regard interest charged on loans as ‘Riba’, which is prohibited in Islam. This is an issue debated among Islamic scholars and the views vary among the scholars.

Therefore, the perception of rationality of an individual may be subjected to the perceptions of an individual's subjective perception of reality, known as subjective rationality; however this does not mean individuals behave irrationally (Vossensteyn 2005). Hence "the assumption that individuals are utility maximising rational actors is suspect" (Vossensteyn 2005: 61). This again illustrates the complexity of decision making, which does not solely depend on the cost benefits of a choice.

2.9.3 Limitations of the Human Capital Theory

According to Babalola (2003 cited by Olaniyan and Okemakinde 2008) there are three rationales behind investing in human capital these are:

- Knowledge from one generation to another need to be passed, that is, the new generation should be exposed to the accumulated knowledge of the previous generations.
- The new generation should be given training on how to use existing knowledge to produce new products and invent new processes which are more efficient.
- With passing of new knowledge people can be encourage to be more innovative inventing new ideas and products.

These points by Babalola indicates the importance of education as an engine in economic development, which can be achieved through exploiting the existing knowledge and as well as creating new ones, in the process creating innovative products and technologies. However, there is no acknowledgement of education as a tool which can bring about social changes. This is one of the limitations in the human capital theory, which has only, a one dimensional focus on how economic changes can be brought about by education and neglects the fact that education can improve the personal wellbeing of individuals with education, leading to social changes.

Due to this one dimensional focus of the human capital theory, on the economic development, the theory lacks the ability to explain important social changes which occur as a result of education. Education can bring about many social changes such as improved health, improved parenting, family planning and reduce drug abuse, to name a few (Kabeer 1996 Mora and Vila 2003). These are some non-monetary benefits of education. However here it should be noted that these non-monetary benefits can also contribute towards economic growth.

Individuals in good health can provide better services to the nation and workers with good health can also reduce the health bills for firms (Weiss 1995). Weiss argues that better educated workers can lower propensities to quit or to be absent and “are less likely to smoke, drink or use illicit drugs and are generally healthier” (1995: 133). All these traits of a worker with higher education would definitely benefit the economic prosperity of the countries.

Human capital theory assumes that a person with education will have equal opportunity for employment. This theory does not cater to the disparities between genders on employment and income but rather this theory assumes better educated people will get higher income and better employment. In reality this is hardly the case. According to Kabeer (1996) research from India showed that women in the poorest groups found it harder to raise wage rates than men, even through improved human capital endowments such as education. She further stated that with some education, there is evidence among unskilled farm workers that the wage rates increased. Nevertheless, the research indicated that this effect was substantial for men but significantly lower for women. However, the labour market imperfections may erode in the long run but the next generation of women will continue to be at an educational disadvantage in the labour market (Kabeer 1996).

Of course, investing in education can eliminate poverty in a country as postulated by the human capital theory. Nevertheless, to address the gender dimensions of poverty, will greatly depend on how successfully the relationship between gender divisions of labour and income is addressed. Kabeer (1996) argues that, unless the factors which hamper the access to market opportunities are addressed, investment in the human capital of poor women will not be fruitful.

As discussed above, there are other dimensions of education other than the economic benefits, which the human capital theory is unable to cater for. Education can also act as a tool to reduce violence against women as suggested by Kabeer (2001). According to Kabeer (2001) regression analysis suggested that women with education are less likely to have been beaten by their spouses and education increases the dignity the women receive from the society. This suggests that education act as an agent which gives empowerment for the women.

According to Kuenzi (2006) education is also recognised as a tool which can consolidate democracy in a country. “A certain level of education among the population of a country has

been considered a requisite for democracy” (Kuenzi 2006: 2). The Maldives⁴ is going through a critical phase in the political history of the country. Maldives is a young democracy trying to strengthen the democratic values. This new democracy in the Maldives has generated high expectations from the elected government. According to Chaffee (1997) transition to democracy generates high expectations from the elected governments but very often these expectations are not met. This “generates popular feelings of inefficacy and distrust towards democratic institutions” (Chaffee 1997: 314). This is unfortunately the current situation⁵ in the Maldives. Hence having student loan and educating the population will not only improve economic growth but will also strengthen democracy in the country. According to Kuenzi “education has long been seen as one of the key factors that drives democracy” (2006: 2). Education enhances cognitive values, making citizens more open to changes and are better able to accept these changes.

Thus, the human capital theory limits the understanding of social changes such as the gender dimensions and the political dimensions of education. Nevertheless, the human capital is well suited to explain the economic dimension of education. According to some reports by international bodies such as by the World Bank (2008a), UNESCO (2009), and the Asian Development Bank (2009) it seems there is a strong economic side to promote higher education in the Maldives. Thus, this also confirms the suitability of this theory to explain the Maldivian context. The next section will further discuss the relevance of the human capital theory to this study.

2.9.4 Relevance of Human Capital Theory for this study

From the human capital theory it is clear that higher education is one way of investment in an individual, by incurring cost for future benefits. The question is who should bear these costs? Higher education benefits the individual and the society as well. The private benefits are justification why the individual and their families should bear the cost of higher education (Johnstone et al 2008). Higher education is associated with prestige and with many other benefits. Individuals as well as their parents will be part of this (Barr 2003). Moreover higher education provides the recipients with both monetary and non-monetary benefits. This

⁴ Maldives had the first multiparty democratic election in October 2008. Prior to this Maldives had a long serving leader who was the President of the Maldives for 30 years.

⁵ “Having successfully and peacefully changed over to a new democratic government in 2008 through its first multi-party election, the public expectation for delivery of all services, including educational services, is extremely high” (UNESCO 2009: 18).

is one of the justifications why part or all of the cost should be borne by the recipients of higher education. It is believed a person with higher education will receive higher income, enjoy prestige and many other benefits (Johnstone et al 2008).

The earnings of a person with higher education do not show the external benefits that affect society as a whole (Psacharopoulos and Patrinos 2002). Social rates of return include the real or true social benefits which are often referred as externalities (Psacharopoulos and Patrinos 2002). The *spillover* benefits of education are important to consider in getting a true understanding on rates of return and who is benefiting from higher education. In addition “if one could include externalities, then social rates of return may well be higher than private rates of return to education” (Psacharopoulos and Patrinos 2002: 3).

Hence investing in human capital benefits the whole society in the development and modernisation process, the spillover effect that has on the society is a justification why the government (including the taxpayers) should subsidise higher education (Johnstone 2008). The private benefits and spillover benefits are the rationale why the individual, their families and the governments should contribute towards higher education (Johnstone 2008).

One way the government can invest in higher education is through a national student loan scheme. The rationales for establishing a student loan scheme should be clear since these rationales can assist in different ways in the economic development of a nation (Barr 2003). There can be several rationales for establishing a student loan scheme by a government that is to achieve an economic objective or a social one or both (Barr 2003). Under economic rationales, there could be a necessity to promote cost sharing in higher education in order to relieve the burden on public resources so that these resources can be free to develop other sectors. In addition cost sharing can make higher education more efficient by promoting competition among higher education institutions (refer to section 2.3.3). This competition among higher education institutions could lead to reform of curriculums and establishing academic programs which are more relevant to the labour market needs. This means skills that are needed for economic progress of a country can be easily developed. In other words the human capital capacity can be increased.

Under social rationales equity can be achieved by providing opportunities for students from disadvantaged groups to enter higher education. These rationales both economical and social are linked to the human capital theory. The notion of human capital theory postulates that to

achieve economic development increasing the human capital capacity in a country is vital (Olaniyan and Okemakinde 2008). To achieve equity, increasing participation of people from all background of a society is important since this will lead to economic development in different parts of a country (Olaniyan and Okemakinde 2008). Moreover making efficient uses of scarce resources are also vital to enhance development of a country.

According to Barr, “for the purpose of equity concerns, governments have a key role to invest in education so that the underprivileged will have the opportunity to participate equally” (1998 cited by Atuahene 2008: 410). Thus, this calls for the participation of people from all levels and sectors of a country in higher education. For economic progress educating people from disadvantaged groups are also important. Hence this again emphasises the importance of having a student loan scheme. Student loan schemes provide the opportunities to invest in their higher education and repay after graduation from their return on investing on higher education.

According to the human capital theory, economic prosperity can be achieved through a highly skilled workforce. Hence to promote this, an efficient student loan scheme is a crucial factor, however before establishing a student loan scheme, governments should explore on possible challenges that may occur when establishing such a scheme. Since finding ways to overcome these challenges means the sustainability of such schemes and this will provide opportunities for students to borrow to enhance their skills so that they can participate in the economic development of a country.

Although investing in higher education is beneficial, people from disadvantaged backgrounds may not be well informed of these and hence will be hesitant to take a risk (Eicher and Chevaillier 2002a). In addition due to possible future financial hardships, due to the inefficient conditions in a student loan scheme, can result in ineffective low borrowings (Barr 2003). This calls for reasonable conditions for repayment of loans and government subsidisation or a certain amount of grants. So that students from disadvantaged background and graduates whose higher education do not prove to be beneficial can get certain amount of compensation due to market failures. The conditions in a student loan scheme should be encouraging enough for prospective students to take the loans.

Moreover conditions which should be reflected in a student loan scheme should be formulated carefully so that the scheme can work successfully. A poorly designed student

loan scheme can be highly costly to a country as seen in many developing countries. The loss of revenues will have serious consequences to the fragile economy of a poor developing country. In addition if conditions in the student loan scheme are not encouraging enough the participation rate in higher education will not increase. This means that the training of human capitals will be less. Hence strategies to overcome such problems are important for the economic progress of a country.

Although, there is a common agreement to develop human capital for the purpose of economic modernisation of the countries, student loan schemes in many developing countries resulted in high defaults and abandonment of such loan schemes. Hence a student loan scheme in a poor developing country can lead to further deterioration of the economy due to loss of public revenues. This signals the need for careful designing of student loan schemes which has the capacity to recover the loans. Moreover an efficient student loan scheme is one of the key to improve access to higher education so that these human capitals can participate in nation building processes.

The next section will discuss transformations in the Maldivian higher education with reference from the analytical triangle by Maassen and Cloete (2002). This will give us a good grasp on the changes in financing of higher education in the Maldives.

2.10 TRANSFORMATION OF HIGHER EDUCATION IN THE MALDIVES

To meet the ever changing national and global demands national higher education system are constantly undergoing transformations. These transformations depend on the socio-political and socio-economic context of the countries.

Maldives is undergoing an important phase in the political history of the country, by electing the first democratic government as pointed in section 2.9.4. Obviously, these changes will impact the policies on higher education in the country, as higher education does not exist in a vacuum. To understand this transformations, the framework applied by Peter Maassen and Nico Cloete (2002) to assess the transformation of the South African higher education after the apartheid era is quite relevant.

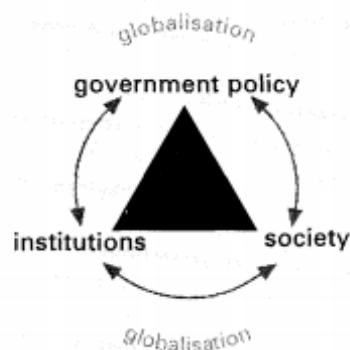


Figure 2.1

Figure 2.1: Displays the triangular relationships between State, institutions and society and the effects of globalisation on these relationships as illustrated by Maassen and Cloete (2002: 6). (Source: The Transformation of Higher Education. Global Pressures and Local Responses in South Africa: 6).

Since the establishment of Maldives College of Higher Education [MCHE] in 1999, higher education in the Maldives is slowly developing (refer to section 2.9.3). Up until recently this was the only institutions offering degrees. The first private college was established in 2007. The government designs regulatory framework for higher education and is the sole funder for MCHE (Huston and Maniku 2005). This is a typical State steering model where the State controls the functions of the higher education. In the State steering model, according to Maassen and Cloete (2002) the social expectations regarding higher education are not directly linked from the social actors and higher education but rather it is taken up by the State.

Therefore, in the Maldives the relationship between *society/higher education institutions* dimension is the weakest side of the triangle (Figure 2.1). Training of human capitals in Maldives was not a result of direct expectations from the social labour actors but rather from government policies.

Nevertheless, the policies of the Maldivian government are being influenced by global trends. This is clearly evident from the new government's policies on adopting new public management strategies in the country. One of the main ideologies of the new government is to encourage public-private partnership in the Maldives. The government is encouraging public private-partnership in education as well. In addition private parties are encouraged to establish higher education institutions in the country.

Recently the President of the Maldives while addressing on the issue of increasing access to higher education, expressed the importance of legislating, the Bill on the National University (President Office 2010). In addition an acknowledgement on the importance of introducing research can be interpreted from his speech. On the University Bill it is proposed that the National University on establishing should accord with good governance and should have autonomy (MCHE 2009). What we can see in the Maldives is that the “*state/higher education relationship* is a state that is trying to diversify the national higher education system and the structural and legal conditions under which higher education is expected to operate” (Maassen and Cloete 2002: 35).

Moreover there are global reform trends in higher education which promotes issues such as efficiency, effectiveness, competition and responsiveness (Maassen and Cloete 2002). It seems that in order to make higher education efficient, increase participation and to create competition the government is encouraging more private parties to offer higher education in the Maldives. What we see is that the policies of governments are being more and more influenced by global trends (Maassen and Cloete 2002). Hence in Maldives we can see that *state/higher education* relationship is adhered strongly to the global agenda. By glancing the Maldivian higher education system from the lens of the analytic triangle we see that the Maldives is being influenced by both national agendas and global trends and there is an attempt to reform higher education in the Maldives.

From these trends it has become clear that the State is unable to fund higher education on its own, hence market mechanisms and private participation in higher education are being encouraged. This means that in the future we will start to see changes in the *higher education/society* relationship side of the triangle (Figure 2.1) in the Maldives.

According to Maassen and Cloete (2002) there is a challenge for developing countries to cater for both national and global trends in higher education. They further stated that, States are expected to create conditions for economic and social development within the framework of trade liberalization, by producing well educated citizens and increasing the knowledge production, “which is a prized commodity in the global economy” (Maassen and Cloete 2002: 30).

Thus, these conditions are encouraging a share from the users of higher education in the cost of higher education. That is introducing tuition fees and replacing student grants with student

loans. “Globalisation encouraged higher education to become more business like” (Maassen and Cloete 2002: 31). In the Maldivian higher education there is a move from grants to loans as pointed in section 1.2. Thus, this transformation is not only due to national agendas but also due to global trends.

2.11 SUMMARY

This chapter has presented definitions of some concepts which will be used in this study. Cost sharing and student loan schemes are two concepts on which this study revolves around. Hence for the purpose of this study it was crucial to define these.

The second part discussed some benefits of student loan schemes. Some of these are increasing participation in higher education and enhancing equity in the society. In addition student loans can be implemented as a tool to create competition among higher education institutions thereby improving quality. Student loans can also help relieve the burden on governments to support the higher education institutions, as student loans can be an alternative way of financing higher education institutions. Different types of student loans were highlighted in this section, namely conventional mortgage type loans and government guaranteed bank loans. Different types of income related loans, namely human capital contracts, graduate tax and income contingent loans were also predicted.

The viability of income contingent loans in developing countries was also discussed. Discussions focused on some reasons why such a scheme may not work and how such a scheme can be made operational. Some suggestions for student loans in developing countries and some policy options were also discussed. In addition, some core characteristics which are crucial for a student loan scheme to be successful. There are three such features these are rational interest rates, the loans should cover the tuition and living and income contingent repayment options.

The theoretical approach with the human capital theory as a framework was discussed. The section on human capital theory presented with some critiques and assumptions regarding the human capital theory. The one dimensional focus of human capital theory was highlighted. Lastly the relevance of this study to the theoretical approach was also discussed.

The last section of this chapter discussed the transformations undergoing in the Maldivian higher education system. Maldivian higher education is being affected by global reform

trends in higher education. These global reform trends in higher education promote issues such as efficiency, effectiveness, competition and responsiveness. It is believed that the shift to student loans is being influenced by these trends. Analytical triangle (Figure 2.1) by Maassen and Cloete (2002) was used to understand the changes in the Maldivian higher education.

The next chapter will present the research methodology adopted to achieve the purpose of this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

A qualitative research strategy was implemented for the purpose of this research. This was due to the exploratory nature of this strategy and also, due to the flexibility of this strategy. Purposeful sampling was used to select information rich cases. This chapter has three main parts. The first part will discuss nature of the qualitative research strategy, methods used, participants, sample size and data analysis. The second part will discuss how validity was enhanced for this study. Finally the last part will reflect on some limitations and advantages of this study.

3.2 QUALITATIVE RESEARCH STRATEGY

Qualitative research and quantitative research are two distinct research strategies. This difference is seen in their epistemological and ontological orientations. According to Bryman (2008) these differences are not deterministic and these are tendencies rather than definitive connections. Hence within qualitative and quantitative research there is a mix of ontology, epistemology and research methods (Bryman 2008).

Qualitative research tends to be more inductive that is generating theories from the findings. “The word qualitative implies an emphasis on the qualities of entities and on processes and meanings that are not experimentally examined or measured in terms of quantity, intensity, or frequency” (Denzin and Lincoln 2000: 8). Qualitative strategy implements an interpretive (interpretive epistemology) approach when exploring a problem in a particular context (Creswell 1998). In contrast to quantitative research, qualitative research is more focused on the depth of a problem rather the breath (Patton 2002).

Some critiques of qualitative strategy argue that this approach can become too subjective and can influence the researcher to focus on what the researcher feel are significant (Bryman 2008). Some other weaknesses are the difficulty in replicating and generalising, however here it should be noted that qualitative research gives importance to generalise to theory rather than to populations (Bryman 2008).

The purpose of this study is to investigate if Maldives has the capacity to successfully implement a student loan scheme. Furthermore it is also believed that an interpretive approach which is flexible, need to be employed to find answers to the research problem. By interacting with the participants it is hoped to understand the Maldivian context and get rich information on current developments.

3.2.1 Method of Data Collection

Since qualitative research focuses in exploring a problem deeply, the methods selected should facilitate exploring a problem deeply. There are different methods of data collection in qualitative research. For example semi-structured interviews, open-ended questioners, document reviews, diaries and many more. For the purpose of this research two methods were selected to understand and explore the Maldivian context. Semi-structured interviews are efficient methods in exploring an individual's perspectives and experiences, so the main method of data collection for this study was a semi-structured interview. In addition document reviews were also used to explore current developments.

3.2.2 Semi-Structured Interviews

Semi-structured interview was one of the method selected, the reason to choose this particular method was due to the flexibility and convenience in probing the participants while interviewing. The flexibility of semi structured interview could be a weakness as well. According to Patton "interviewer flexibility in sequencing and wording questions can result in substantially different respondents, thus reducing the comparability of responses" (Patton 1980: 206). Nevertheless if the interviewer is aware of this and is cautious than this weakness can be managed well.

Bryman defines semi-structured interviews as "a context in which the interviewer has a series of questions that are in the general form of an interview schedule but able to vary the sequence of questions" (2008: 196). Sometimes semi-structured interviews are referred to as qualitative interviews or in-depth interviews.

Another method which could have been used instead of semi-structured interviews is open-ended questionnaires. However this method would limit the option of probing and, most likely get a fewer response rate. Hence it is believed that semi-structured interviews would

cater better to get in-depth information from the participants. This is one of the advantages of interviews since further questions can be asked to probe and understand a situation more.

A semi-structured interview guide was prepared with 14 questions to find answers for the research questions (refer to appendix I for the interview guide). The semi-structured interview questions were divided in to broad topics without fixing the order of the questions. The 'semi-structured interview questions' were used as a guide and some questions were left out when the participants addressed the issue while answering other questions. Some questions were rephrased, to further get information, if the participant did not address the question well.

3.2.3 Document Reviews

The second method implemented was document reviews. Two documents were reviewed for the purpose of this research. Two documents were used due to the difficulties in obtaining any official policy documents. Getting access to documents is one of the challenges stated by Patton (2002).

One of the documents was the national student loan scheme 2010 which was implemented at the end of January 2010. The other document was the official Bill proposed to the Parliament on student loans in 2009.

3.2.4 Sampling

Purposeful sampling was used for selection of participants for this research. As information rich cases was a priority in this research. Purposeful sampling focuses in the selection of information rich cases since this will have an advantage in exploring deep into a problem and to find answers for the research questions. "Studying information rich cases yields insights and in depth understanding rather than empirical generalisations" (Patton 2002: 230). The criterion applied to select participants was, individuals who had been working in the Maldives to develop a student loan scheme.

3.2.5 Sample size

Sample size can create huge challenges for any researcher especially when one has a limited budget and time. However it should be noted that the sample size selected should satisfy the rationale of a study and should be judged in the particular context of the research. According

to Patton “there are no rules for sample size in qualitative inquiry” (2002: 244). The sample size depends on the purpose of the inquiry, what you want to know, what will have credibility and what can be done with available time and resources (Patton 2002).

“The validity meaningfulness, and insights generated from qualitative inquiry have more to do with the information richness of the cases selected and the observational/analytical capabilities of the researcher than with sample size” (Patton 2002: 245).

Six participants were chosen for the purpose of this research. Information rich cases were selected to maximise the richness of information obtained. The main reason to select six participants was partially due to the small size of the Maldivian higher education system. Other reasons were due to the nature of the participants chosen and the ability of these participants in providing rich information on the problem and the limited time for conducting the research.

3.2.6 Research site and Participants

Appointments were asked before arrangements were made to fly to the Maldives. The participants were told the duration for the fieldwork so they could select a suitable time for them. The research took place from 15th January 2010 to 10th February 2010 in the capital island of Male’. The interviews were carried on the dates and times provided by the participants and at their official work place. All the participants were very helpful and cooperative. Unfortunately one participant could not arrange a time for an interview. English language is used as the medium of instruction in education in the Maldives and is frequently used by the Maldivians. Hence the interviews were conducted in English with the consent from the participants.

The participants made up of policy level officials in the government and politicians in the country. The first participant to be interviewed was the Parliamentarian who proposed a Bill on a student loan scheme. Other participants’ interviewed included the Minister of State for Education, Head of Department of Higher Education, President of Higher Education Council and Minister of State for Finance and Treasury. All these participants had been actively participating in formulating a National student loan scheme. Unfortunately one participant selected for the interviews could not arrange a time for an interview during the length of the field-work. So a total of five interviews were done.

3.2.7 Method of Data Analysis

The interviews were recorded on a digital voice recorder and, the interviews were transcribed. According to, Patton “raw field notes and verbatim transcripts constitute the undigested complexity of reality” (2002: 463). Thus, it would be almost impossible to properly interpret the transcribed ‘raw data’ without having them processed further.

The next step was classifying and finding themes from the ‘raw data’ as this was an important step in analysing data. According to Patton “developing some manageable classification or coding scheme is the first step of analysis” (2002: 463). Coding is the process where the raw data are broken down to themes, categories and sub topics (Bryman 2008).

After transcribing the interviews, it was read several times thoroughly and while reading important points were highlighted. Then, the data was categorised to four categories which themes emerged from the research questions. They are: *rationales*, *conditions for success*, *challenges* and *resolving the challenges*. Again the transcripts were read several times and more themes were labelled. The process was repeated. These themes and data were organised in to a table (Refer appendix 3). Tables 4.1, 4.2, 4.3 and 4.4, illustrate how the data was coded. Moreover these themes formed the basis for chapter 4. The documents were also coded in a similar fashion, the documents were analysed for themes and categories and illustrated on the tables in appendix III.

3.3 TRIANGULATION

Triangulation has a very broad meaning. According to Denzin triangulation “refer to an approach that uses multiple observers, theoretical perspectives, sources of data, and methodologies’, but the emphasis has tended to be on methods of investigation and sources of data” (1970 cited by Bryman 2008: 379). Moreover according to Stake “...triangulation serves also to clarify meanings by identifying different ways the phenomenon is being seen” (2003: 148).

There are different types of triangulation according to Patton (2002) one type is triangulating data sources. “This means comparing and cross-checking the consistency of information derived at different times and by different means within qualitative methods” (Patton 2002: 559). Thus, cross checking and clarifying what the researcher interprets from an interview

with the participants will rule out any possible misinterpretation on the meaning of what the participants said and their perspectives on what is going on (Maxwell 1998), in addition this will enhance the validity and credibility. According to Graham “validity in qualitative research has to do with description and explanation and whether or not the explanation fits the description. In other words is the explanation credible?” (2000: 393).

To enhance validity and credibility of data and reduce bias in understanding what the participants meant, triangulation was used. To do this firstly, after transcribing the interviews, copies of the transcribed interviews were emailed to the participants. They were asked if what was interpreted from the interviews were correct, as this cross checking is expected to reduce misinterpretations. They were also given the opportunity to change anything they said or add anything extra. The clarification and changes were done by communicating through emails.

3.4 LIMITATIONS AND ADVANTAGES OF THE STUDY

One of the main limitations of this study was due to the limited time for the fieldwork and time for writing the thesis. Obtaining the availability of official documents was very difficult. Finding policy documents from the government authorities were almost impossible. Mostly this was due to the poor record keeping and maintenance of documents, which is not surprising in a developing country.

Nevertheless, there are also some advantages of this study. The researcher being a native insider of the Maldives gets the advantage of knowing the Maldivian context and the culture better. According to Brock-Utne (1996) a native researcher is more likely to ask the right questions rather than an expatriate researcher, as the native researcher has better knowledge of the environment. Being a native researcher also gave the advantage in the selection of right people for this research.

3.5 SUMMARY

This chapter has presented the research methodology implemented to achieve the objectives of this study. The first part discussed the nature of qualitative research and gave justification as why a qualitative research strategy was adopted. The methods used were semi-structured interviews and document reviews. The first part also discussed the sample size, the participants, method of data analysis. Six participants were initially selected but five

participants were interviewed. The data collected were coded and given themes and sub-themes.

The strategy which was implemented to achieve the validity was presented. Finally, the last section discussed some limitations of this study. Some of these limitations were due to limited documents received from the government authorities, and limited time for fieldwork.

Chapter four will present the findings from the interviews and will provide a discussion of these findings. Before discussing these findings, firstly a background on the Maldives is presented together with the development of student loans in the country.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 THE REPUBLIC OF MALDIVES

Maldives is an independent archipelagic nation in the Indian Ocean with 1190 coral islands. The islands are dispersed over an area of 823km from North to South and 130km from East to West and 194 islands are inhabited by the locals (Department of National Planning [DNP] 2009). The country has a population of approximately 396,334. The island communities have small populations, 90 percent of them have less than 1000 residents, for this reason it is a challenge to develop these small island communities. The capital island, Male' is congested with 25 percent of the total population (Statistical Year Book of Maldives [SYM] 2009). Maldives has a unique language of its own called 'Dhivehi' with its own unique scripts, which is only spoken in the Maldives among only 396,334 people and in the island of Minicoy⁶, which was a part of the Maldives originally.

4.1.1 Economy of Maldives

The main industries in the Maldives are tourism, construction and fisheries. Tourism industry accounted for an average of over 30% of Gross Domestic Product [GDP] over the last decade (SYM 2009). Tourism industry is the largest foreign currency earner in the country, over 70 percent of foreign currency are generated through tourism (DNP 2009). The GDP per capita of Maldives in 2008 was US\$4400 and the GDP real growth rate in 2008 was 6.7% (SYM 2009). Maldives has the highest Gross National Income [GNI⁷] in South Asia (World Bank 2004).

Maldives is in the transition period to graduate from a least developed country to a developing country by the end of 2010 (Impact of Graduation from Least Developed Countries [IGLDC] 2009). This transition will affect the country economically, and the development preferences given by international organisations (IGLDC 2009).

⁶ The island of Minicoy (Maliku) is in the Union territory of Lakshadweep, India.

⁷ In 2002 it was estimated that the per capita GNI of Maldives was US\$2170 (World Bank 2004).

4.1.2 History of Education in the Maldives

Education in the Maldives started hundreds of years ago in traditional schools called *edhuruge*, *makthab* or *madhrasa* (Metz 1994). These were privately owned by individual island communities (Metz 1994). The *edhuruge* was a gathering for children to study Dhivehi, recite Quran and learn some rudiments of arithmetic. The *madhrasa* has a far ranging curriculum. It is believed that these traditional schools preserved the national culture and traditions and further contributed to the high literacy rate (UNESCO 2010). In 2004 Maldives had a literacy rate of 98.9 percent which is the highest literacy rate in South Asia (South Asian Association for Regional Cooperation [SAARC⁸] 2005).

The present system of education resulted from the merger of traditional schools and the Western style schooling which was introduced in the 1960s. This started the English medium schooling in Male'. UNESCO (2010) stated that this was a conscious decision to prepare students to overseas education, to meet the increasing developmental demand. The new school system was structured after the British education system (refer to appendix IV for more information).

4.1.3 Higher Education in the Maldives

Higher education in the Maldives is provided by the Maldives College of Higher Education [MCHE] and some small private institutions. MCHE was established in 1999 by the government and was the only institution granting degrees back then. Over the years Maldivians have been gaining higher education degrees from foreign countries. Students are mostly funded by government and through international scholarships. Maldivians pursue higher education mostly from Australia, United Kingdom, New Zealand, Malaysia, Singapore, India and Sri Lanka. It is estimated that at any given time 1000 to 1500 Maldivian are enrolled in higher education in the countries mentioned above (Shougee 2003).

The demand for qualified labour force steered the government to form several small institutes to meet the specific human resource need of the nation (Latheef 1998). This began in the late nineteen eighties. These institutions focused on training individuals for the tourism, education, technical and health sector.

⁸ SAARC is an economic and political organisation in Southern Asia. <http://www.saarc-sec.org/>

The first milestone in the history of higher education in the Maldives came by a decree of the President to merge all higher education institutions to form a College. Prior to this, individual public higher education intuitions were offering higher education in the country. MCHE was established to meet the national demand for human resource in the country. MCHE is governed by a College council and the Ministry of Education. MCHE is the main higher education provider in the country. It is estimated that MCHE caters for over 90% of enrolments in the country (Huston and Maniku 2005).

Today, under the umbrella of MCHE there are seven Faculties and two centres. MCHE also have three campuses in different regions of the country. However, in these campuses only a limited number of diploma programs are offered. In 2005 the Maldivian President announced that MCHE will be transformed to the first University in the country. A University Bill was sent to the Parliament in 2009 to be legislated (MCHE 2009).

Since the 1990s some private learning centres have been offering a few professional diploma programs. It is estimated that there are 66 private learning centres registered with the government (Shougee 2003). It is also estimated that about 3000 students are enrolled in these private learning centres at a given time (Shougee 2003). Funding for MCHE is solely provided by the government and the private institutions do not receive any financial assistance.

In late 2007 a second college was founded by a private company. Villa College was launched with three Faculties. In 2009 two more colleges came into existence. These institutions have been providing higher education for a number of years as higher education centres. Cyryx Computer Training centre was established in 1993 and transformed to Cyryx College in 2009 (Cyryx College 2009). Mandhu Learning Centre was established in 1998 and transformed to Mandhu College in 2009 (Mandhu College 2009).

All public higher education institutions are closely monitored by the Ministry of Education and all programs conducted in the public institutions have to be accredited by the Maldives Accreditation Board [MAB] under the Ministry of Education (MAB 2010). Pre-approval of programs is compulsory only for public institutions. However private institutions are increasingly applying for approval of their programmes and courses. This is due to a number of reasons. Establishment of MAB ushered a great consciousness among employers, students and parents if the qualifications offered by institutions are recognised in the country.

Moreover students are keen to know if the qualifications obtained will be accepted to enter higher levels of learning in overseas institutions (Huston and Maniku 2005). Huston and Maniku (2005) states that the creation of MAB has benefited the Maldivian higher education system in a number of ways. Accreditation has created further assessment activities within MCHE to link programmes to international institutions (Huston and Maniku 2005). They further stated that this linking is vital for a micro-state like the Maldives.

The next section will discuss the development of student loans in the Maldives.

4.1.4 Student Loans in the Maldives

Prior to 2010 there was no formal student loan scheme in the Maldives. In the past students were mainly given grants and scholarships. Third education project was the first program which came close to a student loan. ‘Third Education and Training Project’ was implemented from 2000 to 2007 with the assistance from the World Bank. Upon graduation students were asked to pay back 15 percent of the total expenses within 6 years. However, proper monitoring and recovery of loans have not been carried out. Deputy Minister of Ministry of Human Resources, Youth and Sports admitted that not enough effort was made on monitoring and on recovery. Currently there are new developments in the area of student loans in the Maldives.

4.1.4.1 National Student Loan Scheme 2010

The National Student Loan Scheme 2010 [NSLS 2010] was established on 25th of January 2010 (refer to appendix 2). This is a short loan scheme established for the year 2010. Under this scheme a total of MRF50,000,000 was distributed to students. The maximum amount students can borrow was MRF24000 that is MRF2000 per month. Loans are given to a maximum of 2083 students from this scheme.

The only objective of this scheme is to provide loans for the purpose of higher education for students studying both in the Maldives and abroad. The same amount can be borrowed regardless of where students study.

This scheme is open to all students regardless of their financial needs but students should be studying an area which is in the national skills shortage list (Maldives Human Resources,

Youth and Sports [MHRYYS] 2010). The responsibility of administration and recovery of loans are given to Bank of Maldives [BML].

Conditions for repayment: Borrowers (former students) are given a grace period of 6 months after they graduate, before they start the repayment. A fixed amount of interest is charged for the loans. Borrowers have to pay 5 percent interest on the total amount borrowed. Each month borrowers have to pay an amount which is not less than MRF500 per month to the banks. This scheme was re-announced in mid February 2010 due to few applicants.

4.1.4.2 Student Loan Bill

In late 2009 a student loan Bill was proposed to the Parliament (Peoples Majlis 2009). The purpose of the Bill was to provide opportunities for students from middle and low income families to finance their higher education. Secondly, to increase the number of graduates with competent skills so that they can meet the labour market needs. In addition, to instigate the commercial banks to take their social responsibility by providing loans for the purpose of education.

There are seven banks in the Maldives. This Bill proposes that a total of MRF15 million should be allocated annually for student loans from each bank. To borrow the loans students have to show two guarantors. Additionally, the government have to be a third guarantor. In case of default the two guarantors have to repay 40 percent of the loans and the remaining 60 percent has to be repaid by the government. The maximum amount students can borrow from the banks is MRF500,000 and the minimum amount is MRF75,000.

Graduates (former student or borrowers) have to make the repayment directly to the banks each month. This Bill also obligates the employers in making the repayment to the bank where the borrower (employee) do not make the repayment themselves.

Conditions for repayment: The loans have to be repaid within 10 to 15 years and the repayment amount should be more than MRF2500 per month. The interest for the loans should not be more than 8 percent. There are three options which the banks can provide to students for repayment, they are:

- Repayment starts 6 months after graduation. The students do not have to pay anything before that.
- Students have to pay the interest while studying, but the repayment for the main loan and its interest starts 6 months after graduation
- Repayment for the main loan and the interest starts 6 months after the last instalment of loans.

Currently this bill is in the development committee of the Parliament, for further development before it can be legislated.

So far we have been discussing the theoretical perspectives of student loans (section 2.1 to section 2.9) but how do this function in reality? The next section is about the empirical reality of theory. The findings from the actor's point of view are discussed. Now let's dive into the reality of student loans.

4.2 RATIONALES FOR A STUDENT LOAN SCHEME IN THE MALDIVES

Questions were asked to find the rationales why the Maldives need a student loan scheme. The five participants in this study gave several rationales for a student loan scheme in the country.

4.2.1 Financial Constraints

One of the rationales stated by the participants was 'financial constraints' the families face in securing a student loan and the inability of the families to save money for future needs. Three out of five participants believe this as a rationale and further stated this as a reason why the Maldives need a student loan scheme.

4.2.1.1 Social factors

By examining the answers given by the participants, it was noticed that two participants see that there are some social factors which hinder people to save money for their children's education. The response from one participant indicated that there is a habit among the Maldivians of not saving for future needs.

“Maldivians do not have a habit of saving and they don’t have enough money to support their children abroad. So it is important to have a support scheme for students”

The national poverty⁹ line for Maldives was MRF15/day \approx US\$1.17/day in 2004. The percentage of the population below the poverty line in the Maldives was 21 percent in 2004 (SAARC 2005). This reflects the fiscal situation of the Maldivians and it would be wrong to assume that most Maldivians are capable of saving large amounts of money for their children’s education, especially send their children abroad for education. The 21 percent only represents people who are extremely poor the actual percentages of people who are poor are not reflected in this 21 percent. Hence it could be argued here that even though if some Maldivians want to save, it may not be possible due to fiscal hardships.

The factors which hinder people from saving are not only about their cultural or habitual characteristics but rather there are structural economical realities too. Another participant stated the inability of the Maldivian families to save money for education.

“Generally most of our families are not in a position to self finance their children’s higher education”

These arguments reflect the need to introduce a student loan scheme in order to relieve families with financial hardships in saving for education. A report by the World Bank (2008) stated that the Maldives was able to reduce poverty due to a spectacular growth performance but despite this there is an increasing inequality in the Maldives. Thus, education can act as a catalyst to reduce this inequality in the Maldivian society.

According to Albrecht and Ziderman (1991) in developing countries it is a hurdle to introduce cost sharing because of the inability of students from poor families to contribute towards their higher education. For this reason many economists have advocated the importance of student loans as a means to increase private contribution while preserving access into higher education (Johnstone et al 2008 Barr 2003).

Furthermore Eicher and Chevaillier (2002b) states that parents are always not in a position to fund their children’s education, even if they want to and some parents even though they can may not be willing to do so. However in the Maldivian society parents take the major

⁹ It is believed that the national poverty lines are better representatives of the prevailing poverty situation rather than the international PPP US\$ 1 or US\$ 2 per person per day poverty definition (SAARC 2005).

responsibility of providing for their children's needs until they start their own families. In most cases if parents, are able they will be willing to help their children even after the child starts their own family. Thus, in the Maldives if parents are able to, most parents will be willing to contribute towards their children's education. Nevertheless, here it should not be assumed that all parents will contribute if they are able, especially equally towards all children.

Traditionally, Maldivian women had been very politically active and powerful. As early as in the 14th century Queens had ruled the Maldives (Heyerdahl 1986). Women in the Maldivian society are respected and are generally very liberated individuals. In the Maldives every citizen has an equal right to education (World Bank 2004). There is no formal structural discrimination of males or females.

“Observers agree that Maldivian women are among the most emancipated in South Asia and the Islamic world. There is no institutional discrimination along gender lines in access to education and” (World Bank 2004: 2).

Here it should be noted that the above statement from the World Bank has an assumption that Islam discriminates against women. Islam does not oppress women but rather some cultural and traditional elements in some societies do oppress women. These cultural traits are intentionally and unintentionally misused by some possessive men. Hence educating the society is a crucial factor in creating awareness and eliminating such cultural oppressive traits against women.

In some rural islands parents historically regarded, educating female children as a waste. This was based on the belief that the main task of females were to look after their family and bear children. However this notion has long gone and parents see educating females as important as males. Hence if parents are financially able it can be assumed that the parents will indiscriminately fund their children. A report by United Nations Development Programme [UNDP] indicated that women living in the rural islands have difficulty in accessing education due to less mobility compared to males. In addition, girls start a family early and find it too demanding to support a family and to continue with their education (UNDP 2000).

As pointed above, although there are no structural or formal discriminations towards women in the Maldivian society, there are certain expectations and notions as how women should

behave. For example it is surprising to see how some people (even some women) judge¹⁰ a woman smoking in the public while a man can do the same without being judged. This gets even more surprising and complicated when we look at the smoking behaviour of traditional women¹¹ in the Maldives. People do not find it odd or surprising even today to see an elderly woman smoking in the Maldivian society but people find it strange if a younger woman did so.

In addition, there are some negative attitudes towards certain employment options women pursue in the Maldives. Tourism industry is the economic backbone of the Maldives. Women participation in this area is crucial however there are only 2 percent of local women working in this industry, while 47 percent of public service employees are local women (Shakeela 2009). This has led to high percentage of expatriate employees in the tourism industry (SYM 2008). The high percentage of expatriate has increased the amount of money repatriated¹². “In 2008 the Maldives was amongst the World Bank’s top ten countries identified for sending remittances abroad” (Shakeela 2009: 79).

Furthermore Shakeela (2009) found that this low participation of female in the tourism industry could be due to religious factors. She further stated that this is an interesting phenomenon given the significant role of the women in the Maldivian society.

Islam does permit a woman to work away from home and Islam further emphasises a woman’s rights to her earnings, property and wealth (Quran 610). Nevertheless, the notions and expectations of how a Maldivian woman must act in the Maldivian society is the reason. According to Shakeela

“despite the standing of religion on women, there are cultural frictions in the Maldivian society limiting the extent to which a woman can be involved in employment. In actual fact, a woman working in the tourism industry is regarded with less dignity than one employed in a public sector job. Those who do find employment in tourism are seen as one ‘out of the box’ (2009: 213).

¹⁰ If Maldivian women want they can smoke freely in the society but some people do not regard this as an acceptable behaviour from a woman.

¹¹ Traditionally many women in the Maldives were smokers this act was acceptable.

¹² In 2006 it was estimated that US\$83 million, that is 9.1 percent of GDP was recorded as the outward remittance flow from the Maldives. This is the officially recorded amount it is expected the actual amount would be much higher (World Bank 2008b).

Hence, even though there are no limitations formally imposed on women, certain expectations do mitigate their participation in certain employment sectors in the Maldivian society. This is an area which should be treated carefully as women participation is a central factor in the development process. Even today women play the major role in bringing up their own children. The *spillover* benefits, (refer to section 2.9.4) for example from an educated mother is expected to create future aspirations for the child. Thus, without women involvement, development of a society will remain a fantasy.

4.2.1.2 Lack of financial institutions offering loans

Two out of five participants stated that the financial institutions (i.e. Banks) in the country do not provide loans to students. These two participants felt this as one of the reasons why the Maldives need a student loan scheme.

“One is to address the inability for students to borrow from financial institutions i.e. Banks for the purpose of higher education”

Commercial banks and other financial institutions are reluctant to provide loans to students as this involve high risk of default to the lender. As discussed earlier (in section 2.4.2 and section 2.8.1) lending to buy a house is a low risk activity, the borrower cannot take the house and disappear. If the borrower disappears the bank can sell the house and recover the loans. In case of a low earning graduate the bank cannot sell the qualification and recover the cost, moreover, a graduate can easily disappear without paying off the loan (Barr 2004). For these reasons there is no security to the lenders when providing loans for education. One way to overcome this problem for lenders is to ask for security from the borrowing student or parent, for example the house of the parents. However Barr (2004) argues that this type of lending will be inefficiently low, this is due to the lack of a property to mortgage by students from poorer backgrounds.

The lack of loans available from banks for the purpose of education was also a major issue addressed on the Student Loan Bill. The Bill proposes laws to be established for a legal framework whereby the commercial Banks in the Maldives are obligated to provide students with loans and whereby the Banks are instigated to take their social responsibility.

Many researchers in economics of education assert that, bank loans are not effective in promoting access to higher education. Barr (2004) and Chapman (2008) argue that students

from poorer backgrounds are reluctant in taking loans since they are less informed about the benefits of qualifications. Taking a loan is a risky activity to the borrowers as well, since a qualification acquired may not have any value as there are continuous changes in the labour market needs (Barr 2004). This leads to inefficient low borrowing and lending.

The lending problem for banks can be solved when the government agrees to become a guarantor for students borrowing the loans. But the risk for students still exists as they have to repay the loans in a fixed monthly instalments and repayment does not depend on their monthly income (Barr 2004). The student loan Bill state that the borrowers have to pay back within 10 to 15 years and the minimum monthly repayment must be MRF2500. Repaying this amount, each month could be a burden especially for a graduate civil servant where the salary ranges approximately between MRF8000 to MRF13000 (Civil Service Commission 2010).

According to advocates of bank loans there are three motivations for the government to facilitate loans for students from the banks. According to Albrecht and Ziderman (1991) these motivations are:

- The government do not have to make an initial capital expend to the student loan fund.
- The government can use the private sector more efficiently and reduce cost of a national student loan program.
- Finally the government do not have to spend on setting up a costly administrative infrastructure to handle the student loan program.

Hence there are advantages the government can get from obligating the banks to provide student loans. But here it should be stressed that bank loans will not lead to equity and will not increase participation of students from poorer backgrounds. Thus, there is an obligation on the part of the government to establish a national student loan scheme if increase participation is needed (Albrecht and Ziderman 1991).

4.2.2 Equity

Three out of five participants reflected that a student loan scheme in the Maldives could address the issue of equity among the citizens. These participants felt that students from disadvantaged backgrounds should be given a chance to pursue higher education. One

participant further asserted that not only academically well students should be given the chance but students who have the drive to study should also get the opportunity. According to Mora and Vila,

“equity reasons are based on the principle that higher education should be available to people with capacity, disregarding their economic resources, in order to increase the fairness in society” (2003: 126).

Nevertheless some may argue that higher education is a basic right, hence it should be free. Barr states that food is also a basic right, “but that is not an argument for making food free for everyone, including the rich; rather, it argues for income transfers so that everyone can afford a healthy diet” (2004: 266).

If cost sharing is encouraged for equity then, why are governments insisting that primary and secondary education should be free? According to Barr (2004) there are several reasons why school education should be publicly funded. According to Barr (2004) small children are not well informed and the range of choice on content is constrained that is, school children follow a common curriculum. Whereas students in University education are generally well informed, they are mature enough to make a decision regarding higher education. Also, the fields to study are various in other words the range of choices are various in the higher education. And the higher education intuitions are various to choose from.

One of the rationales of cost sharing stated by Johnstone (2008) is equity. It is argued that free higher education benefits the wealthy. A free or highly subsidised higher education system is funded by the taxpayers, who also include poor and middle class taxpayers. This means money from poor is transferred to the wealthy. Even today, higher education is attended mostly by students from middle and wealthy families.

“At the same time, the so-called free higher education is, of course, actually paid for by the average taxpayer/consumer, in large part by taxes and price increases that are proportional, at best, or even regressive” (Johnstone 2008: 55).

Maldives do not charge income taxes. There are some types of taxes charged in the Maldives, these are: taxes from tourism and tourist resort lease rents, and import duty on goods (Maldives Fiscal Outlook [MFEO] 2009-2010 2009).

Maldives is a country which imports most types of goods from foreign countries. Different type of basic foods and other basic necessity goods are also imported. The importers, of course will sell the goods in a price which covers the import duty charged on the goods. This means the citizens of Maldives including the poor in a way are paying for the duty on goods. Higher education has mostly been free in the Maldives. This means that higher education is subsidised. In other words some part of the import duty charged on goods may go into subsidising higher education offered in the public institutions. This will mostly benefit people living in the capital of Maldives excluding people living in the atolls as higher education is mainly offered in the capital.

Higher education is mainly offered in the capital and students from the atolls¹³ or students living far from the capital will be at a disadvantage in accessing higher education. However, with a student loan scheme this inequity of people living in the capital and islands to some extent can be overcome. According to the World Bank “high inequality in the atolls remains a source of concern” (2008a: 5).

One of the participant felt that a student loan scheme can protect students from being mistreated by private donors.

“I have seen how entrepreneurs behave and I have seen how you become a slave of them.....”

In Maldives some poor parents ask for assistance and for loans from rich businessmen for their children’s education, very often these rich businessmen can be a distant relative or a very close friend. Sometimes these loans or assistance can come with strings attached to it.

By reviewing the Student Loan Bill it was noticed that equity as one of the reason for establishing a student loan scheme. One of the aims of the Bill is to provide loans to students from disadvantaged backgrounds to pursue higher education.

However as mentioned before conventional bank loans cannot enhance access of students from poor backgrounds. According to Barr (2004) students from poor backgrounds will not have information on the benefits of education and they will be reluctant to take a bank loan

¹³ “Meeting the burgeoning demand for higher education equitably in a widely dispersed geographical setting is going to be challenging. It is a challenge that the government alone cannot meet. Hence, creative ways in expanding access and providing more equitable opportunities especially for those in the atolls need to be considered” (UNESCO 2009: 13).

for the purpose of education. “.... some poor prospective students might be averse to borrowing from banks because of the risk of default” (Chapman 2008: 82). Since bank loans require payment to be made on a fixed period of time and do not depend on the capacity of the borrower to repay. Nevertheless, if the repayments are linked to the income of a borrower this financial hardship can be overcome as seen in South Africa. According to Jackson (2002) making repayments income contingent rather than mortgage type has been an instrument in the success of the South African student aid program.

4.2.3 Increase Participation in Higher Education

Two out of five participants reflected that a student loan scheme is crucial to improve and increase the participation in higher education. These participants believe that such a scheme could help the country in the economic development process.

4.2.3.1 Obligation of the State

One participant asserted that the State should take the lead in facilitating the opportunities to increase participation by establishing a student loan scheme.

“It is a state responsibility in my view to encourage greater participation in higher education in, general.....”

One of the purposes for encouraging cost sharing by the governments is to relieve the financial demand on the state budget by the higher education institutions (Johnstone et al 2008). Governments and economists believe that by moving towards cost sharing and by introducing student loans more students can be encouraged to enter higher education (Johnstone et al 2008).

It seems as pointed in section 2.9.1 and section 2.9.4, there is an obligation of the State to facilitate a student loan scheme, since higher education is a core tool in the economic prosperity of a country. According to Scott (1998) traditionally the national purpose of higher education has been to serve economic development and nation building. Hence many governments understand the importance of increasing participation in higher education and increasing their human capital. Nevertheless, this traditional purpose of higher education has changed. Now governments are trying to incorporate both national and global agendas in their higher education policies as pointed in section 2.10.

There are many risks and uncertainties involved both to the lending banks and for individuals in investing in higher education as discussed in section 2.4.2 and section 4.2.1.2. This is partly due to possible market failures. For instance a graduate cannot sell part of his/her investment on higher education if the future income is lower than expected and then invest in an alternative academic program which can be promising of higher income (Barr 2003). In addition commercial banks are hesitant to provide student loans without a security. According to Johnstone et al (2008) this illustrates the importance of understanding market failures and the need of government intervention in student funding. Johnstone et al further asserts that

“this has led many to sustain that in the absence of government intervention access to higher education will be restricted significantly, since the capital market would be less than willing to finance most private human capital investments” (2008: 14).

Thus, this demonstrates the importance of the governments’ involvement in facilitating a student loan scheme which in turn can facilitate and enhance participation in higher education.

4.2.3.2 Training the future work force

Two participants asserted that having a student loan scheme is crucial for the economic development of the country. Since Maldives need a strong work force with different skills and one way to achieve this is through increasing participation in higher education.

“As we know we don’t have enough man power to cater for the needs of the country. So I think the country is calling loudly for trained people so it is important to have a student loan scheme”

As pointed before in section 2.9.1 and section 2.9.4 there is an economic rationale for governments to intervene and facilitate cost sharing mechanisms as this would relieve the burden on budget of the State and increase participation in higher education (Chapman 2008). Through increased participation in higher education the country could increase its human capital and move towards economic development of the country. Johnstone et al states that

“the need for a highly qualified labour force was justified on economic grounds and as a major reason for governments to step in and play a major role in the promotion of mass access to higher education” (2008: 2).

Emphasis is also given on the National Student Loan Scheme [NSLS] 2010 to give priority to areas where there is a shortage of skills in the country. Funding under the scheme was given to students who chose an area in the National Skills Shortage List. Moreover one of the objectives on the Student Loan Bill was also to provide opportunities to train citizens with different skills the country needs.

Some countries still give emphasis on primary and secondary education, Allen (2001) argues that this is due to the attitude of the World Bank towards these countries. “The World Bank’s policy prescriptions often led to the neglect of secondary and tertiary education due to an overemphasis on investment in primary education” (Allen 2001: 56). Primary and secondary educations are important for a country but the importance of higher education should not be underestimated, “..while basic education is necessary, it is not sufficient for economic development” (Asian Development Bank [ADB] 2004: 3).

Lack of appropriate level of education and skills were listed in the top five constraints to develop businesses in the Maldives (World Bank 2008a). Developing countries also need doctors, nurses, teachers, lawyers, and graduates from different fields for economic development.

Moreover “by the 1990’s in many developing countries and most developed countries, rates of return to higher education were greater than to secondary and to primary” (Carnoy 2006: 10). In addition the externalities or *spillover* effects of higher education will benefit the whole society as pointed in section 2.9.3 and section 2.9.4. Hence the benefits by a person with a higher education on the economy will be more than a person with a secondary or primary education as suggested by Carnoy (2006).

Johnstone et al (2008) states that economists disapprove the trivial usage of human capital as a rationale for all kinds of educational expenditure, instead they argue that educational expenditure should be based on cost benefits analysis rather than vague assumptions that all education can promote economic development and is growth enhancing.

“The expansion of education should be led by individual demand based on a rational assessment of the potential net benefit arising from schooling, rather than on social

policy and governmental intervention without much thought of cost and benefits” (Johnstone et al 2008: 3).

Hence it is a wise decision to make a list of national skills shortage and give priority in these areas. But the government needs to be cautious in not creating a skill shortage in areas not on the list. This means the government should have surveillance on possible skill shortages in the country and constantly assess the labour market needs. But this can only happen if the *society(market)/government policy* and *society(market)/higher education institutions* side of the analytical triangle (Figure 2.1) are facilitated. Nevertheless, this is not something so easy to predict as the labour market need changes continuously. Although future cannot be predicted efforts should be made to “elucidate future possibilities and dangers, and thus political measures necessary to prevent future imbalances associated with economic change and supply and demand of skills” (Descy and Tessaring 2001: 31). Maldives being a small country could foresee this to some extent, if reporting mechanisms by employers are regulated on their current and future skill needs. Here it is imperative to stress the urgent need to enhance the relationships between *society(market)/government policy* and *society(market)/higher education institutions* side of the analytical triangle.

Areas which will promote development should be identified. Promoting higher education in the area of rocket science in the Maldives currently, may not promote development and this is an area which is not relevant at this moment. Nevertheless, emphasis should also be given to areas which are critical for promoting economic development of the Maldives. If this is neglected over-education and unemployment of graduates could lead to political disruptions and further deterioration of the economy (Carnoy 2006).

However, the questions we have to ask ourselves are: Has this anxiety of over education stopped any government from investing in their higher education sector? Or has this caused any major political problems affecting the economies? Here it could be argued that educated individuals will have the awareness of the negative effects if the country is drawn into political problem and hence may restrain from such behaviours.

Nevertheless, higher education should not be only treated as a tool to train citizen to meet the skills shortage in the country, but rather policies should also reflect a move towards a knowledge society. Huge developing economies such as India and China are immensely investing in their higher education. The United States has not stopped investing in their higher education due to the fear of over education but rather they have moved to a universal

higher education system. Moreover countries like India and China are investing in scientific research hoping to stop brain drain. India implemented policies to create human capitals in the area of information technology. Due to this policy the professionals who left the country to work in the Silicon Valley in the United States are returning home to start businesses in India. Though these professionals are not moving back to live in India they are forming important links between India and the United States in the areas of research and businesses (Saxenian 2005). This has started the concept of brain circulation¹⁴ in higher education, among India and the United States (Saxenian 2005). The possibility for these professionals to return home to establish businesses were due to government policies to invest in technological areas and by training citizens with these skills.

In most developing countries there are few highly skilled jobs because few firms at high technological level can operate this is because of a lack of skilled people Castells refer to this as a vicious cycle. Castells (2001) argues that this vicious cycle can be broken by a deliberate policy to invest in technology and research. He further states that developing countries who had implemented this policy had seen pay-offs. Hence the Maldivian policy makers should learn from this and should be more adventurous, instead of only focusing on current skills need in the country.

Moreover research in the institutions of the developing countries is important to stop brain drain. If the country invest more on research this could attract highly qualified nationals to come back home and work in these institutions. Even in Maldives brain drain is an issue but there are no statistical figures to show this. Many Maldivians who go abroad for higher education never come back. There are several Maldivians with patents working in foreign companies and universities (Haveeru News 2008). Though there is no research done on brain drain in the Maldives this is a well known issue in the country. Hence Maldivian policy makers need to put forth strategies to invest in research and technology. As Castells (2001) stated these institutions needs to implement policies to foster this. Countries like South Korea, China and Taiwan had deliberately invested on research and technology and this has

¹⁴ Saxenian (2005) on her paper on *'From Brian Drain to Brain Circulation: Transnational Communities and Regional Upgrading in India and China'* discusses how immigrant engineers and scientists are transferring technology entrepreneurship to their native countries. This paper argues how professionals who left their native countries for better lifestyle are reversing the concept of brain drain to the concept of 'brain circulation' as they return home to establish business and companies while maintaining their professional and social ties to the United States.

led to economic development in these countries (Castells 2001). The Maldives should learn from these experiences when formulating policies for higher education.

The new government are establishing strategies to become carbon neutral within 10 years. Maldives is a low lying country which is being affected by global warming and sea level rising. The higher education sector can play an important role in creating citizens with skills in environmental issues. Policies to invest in academic programs and research in areas such as renewable energy, wind energy are relevant for the country. Countries like the United States and China are researching on environment friendly technologies so they can take advantage of this. The President of the United States addressing at the Copenhagen Climate Summit in December 2009 addressed the importance of new technologies which are compatible with the environment. He further addressed the United States' policies to investment on research on renewable energy (Monbiot 2009). There is a huge fuss in the World about moving towards environment friendly products and technologies, hence the Maldives should not be held back but rather should take advantage of this opportunity if they want to become winners of the 21st century. Even though Maldives is a tiny country policies should reflect both national and global agendas. The Maldives should make ambitious policies in the higher education sector.

Moreover, fisheries is an important area in the Maldives. Maldivians use tuna almost in every meal. There is a recent outcry on banning tuna fishing in the European Union due to a fear of extinction of tuna. In the Maldives the fishermen are concern that the tuna pools are reducing, even though the Maldives use dolphin friendly means of fishing. Research in the area of tuna farming and finding ways to preserve the tuna pools are highly both linked to the economy and the culture of the Maldives. Maldivian policy makers should be vigilant to changes in the world so that the Maldives can take advantage of changes happening globally. Hence higher education should also be used as a tool for research and innovation rather than limiting it to train citizens to meet the labour market skill shortage.

4.2.4 Accommodating for future trends

Four out of five participants felt that one of the rationales for having a student loan scheme is to cater for future needs and trends which will come to the Maldives.

4.2.4.1 Change in status of Maldives

One participant predicts that the Maldives promoting from a least developed country to a developing country will have an impact on free scholarships the country gets from foreign countries. Hence the participant felt that there is a need for a student loan scheme in the country.

“The number of scholarships from foreign countries is on the decline. The graduation of Maldives from a least developed country to a developing country, the change in status should mean less scholarship”

Maldives is expected to graduate from a least developed country to a developing country by the end of 2010. Some of the benefits that will be lost on this graduation are: “official development assistance including development financing and technical cooperation and other forms of assistance” (IGLDC 2009: 4). This means that the assistance Maldives was receiving in the area of developing human capital will reduce. Maldives depend very much on foreign scholarship to develop its human capital needs and it is expected the number of scholarships will be limited with this graduation. Hence there is an urgent need to establish a student loan scheme so that students can borrow and pursue higher education which in turn will benefit the country as a whole.

4.2.4.2 Increasing demand for Higher Education

With the increasing number of students going for higher secondary education, three participants predict that there is going to be an immense demand for higher education in the country.

“Currently we have 3000 students enrolled in A’ level so at least a third of them would want to go for a certain amount of higher education. So we have a great demand for higher education so it is important to create a series of schemes”

From the figure below we can see the pattern of gross enrolment ratio for higher secondary grades (11 to 12) from 1998 to 2007.

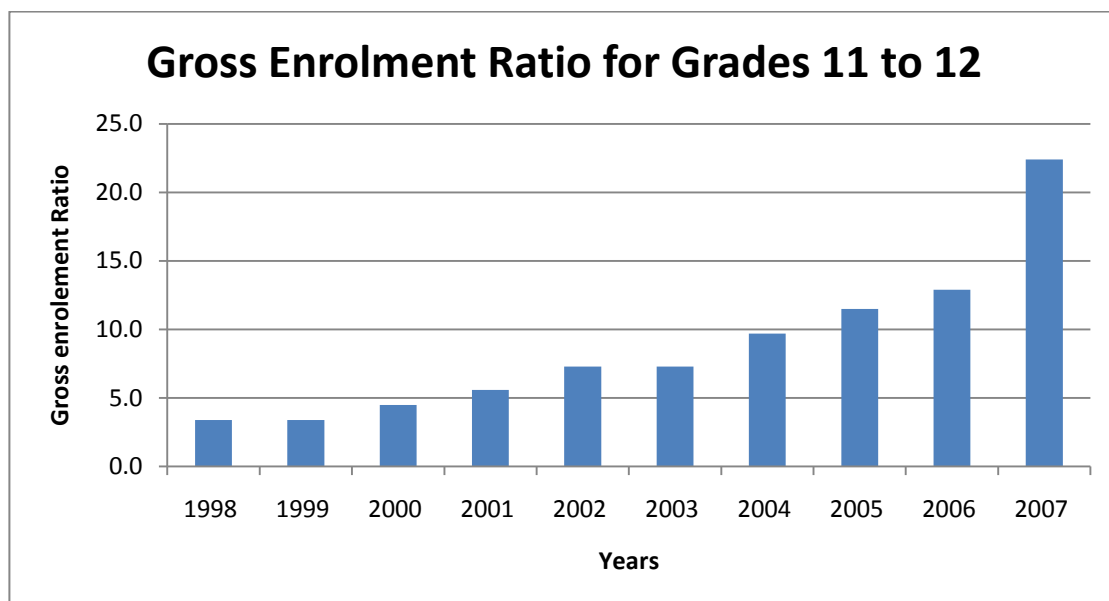


Figure 4.2: Gross enrolments ratio for grades 11 to 12, from 1998 to 2007

(Source: Statistical Yearbook of Maldives 2008)

From figure 4.2 it is evident that the number of students completing A' levels are increasing at a fast rate. This means the demand for higher education will increase as more students with A 'levels wanting to go for higher studies.

One participant stated that the Maldives in the future will move towards mass higher education and to cater to this there should be a student loan scheme.

“Higher education is moving towards mass participation in most countries. It is already the case in many western countries. There is no reason why Maldives will not move in this direction”

After World War II enrolments in higher education institutions in rich economies grow from 5 percent to 30-50% at the beginning of the new millennium (Trow 2007). These countries has undergone different stages in the enrolments, Trow refer to these as “phases of elite and then mass higher education, phases which currently are opening up even further to become systems of universal access” (2007: 245).

According to Trow (2000) growth of mass higher education led to several problems in funding, organisation and governance. Massification of higher education is one of the

reasons why governments cannot offer free higher education and the reason why governments are encouraging cost sharing trends. Maldives moving towards a mass higher education, in a near future would be a very uncertain activity. Because the Maldives is unable even to meet the current demand for higher secondary education. There are a limited number of seats available for higher secondary education in the Maldives. Hence students are filtered according to academic excellence for enrolment. Of course, here it should be noted that every country if able would in the future move towards mass higher education. Also we should not ignore the current demand for higher education in the country and therefore, there should be opportunities for students to study further.

4.2.4.3 Inability of government to provide free Higher Education

Three participants felt that the Maldivian government is not in a position to provide free higher education and there is a need for a student loan scheme which will have some features of cost recovery.

“There is a local scheme funded by the state treasury which does not require or involve any cost recovery. In the long run we cannot sustain this without a cost recovery facility.”

One of the participants stated that there is an immense demand for higher education in the country and the government in the future will not be able to meet this demand without a student loan scheme. Hence there is a necessity for the government to implement a student loan scheme.

“We have a very young population I think 75 percent of us are under the age of 40 and about 25 percent of them are under the age of 18 or 21 so the amount of youth we have who would need education and who would need to build their dreams is immense and I do not see the government could do that.....”

‘Necessity’ is another rationale stated by Johnstone (2008), which is the sheer need for alternative nongovernmental revenue for higher education. Governments in most countries are unable to meet the cost pressure for public revenues. By establishing a student loan scheme the Maldivian government can relieve the tension on the State budget. Different sectors compete for public revenues and often higher education is marginalised to provide other basic public services (Barr 2003). According to Barr (2003) higher education will

always lose out when it comes to financing, health services, nursery education and school education.

Furthermore, Woodhall (1992) states that the justification of student loans in developing countries are due to the financial pressures on the public revenues and there is a growing need for private contribution in higher education. In addition the educational priorities for primary and secondary education in developing countries mean that there is a need to increase cost recovery in higher education so that scarce public resources can be allocated to primary and secondary education. Therefore, in the Maldives there is a need for a student loan scheme with cost recovery so that the public resources can be free to enhance secondary and higher secondary education.

4.2.5 Limited Opportunities

Two out of five participants stated that the opportunity to get higher education in the Maldives is limited. Though some higher education is available there is a limited number of areas offered in the country and that there is a lack of diversity of programs in the country. Hence these participants felt a student loan scheme could resolve these difficulties in the Maldives.

“MCHE do not offer all the courses to cater for all students. They have a limited curriculum, limited areas. So in order to cater for all students it is very important that we have a support scheme”

Higher education programs offered in the Maldives are limited. The main areas which are available in the Maldives are: teaching, nursing, computing, management, tourism and hospitality (MCHE 2010). There are no post graduate studies available in the Maldives. If there are student loans available, then it would be possible for students to borrow to invest in their higher education.

4.2.6 Increasing Efficiency

One participant believes that with a student loan scheme where students have to repay could make higher education more efficient in the country. Further the participant stated that when a study loan has to be repaid, only students who are serious would apply for higher education.

“The other reason is that when we don’t have to pay we tend to be a bit negligent and therefore I believe we have to fund people who are serious about it”

It is widely believed that if education is free students consuming it may approach education with less academic effort (Johnstone 2008). By charging the users, higher education can be made more efficient. When students approach studies with more academic effort the number of repeaters will be less making higher education more efficient.

When students are paying for their higher education they will be more demanding of the quality and services provided by the higher education institutions. Feedback and competition among the higher education institutions for students will make the higher education institutions to improve themselves as pointed in section 2.3.2. Hence internal efficiency of higher education institutions can be improved by student loans (Eicher and Chevaillier 2002a). Creating competition among higher education institution is an area which needs to be facilitated in the Maldives. Since these competitions can improve the internal efficiency of the higher education institutions.

MCHE is the oldest institution in the Maldives and the main provider of higher education in the country. It will not be wrong to argue that MCHC is the most prestigious institution in the country. Private higher education institutions are flourishing in the country and hence with a student loan scheme the above mentioned competition, among the institutions can be facilitated. However competition among institutions can also lead to ‘*faddism*’ as mentioned before, by Eicher and Chevaillier (2002a). Therefore, policies need to be put in place to prevent such negative effects.

4.3 CONDITIONS FOR A SUCCESSFUL STUDENT LOAN SCHEME IN THE MALDIVES

Questions were asked to explore the conditions or factors which need to be in the Maldives for a student loan scheme to be successfully implemented.

4.3.1 Resources

Four participants out of five feel that having enough resources as a condition which needs to be present for a student loan scheme to be successful in the Maldives. The participants felt that the government need to secure enough resources and borrow a loan to establish a student

loan scheme. One participant further stated that the government need to establish new strategies to secure money for a student loan scheme by implementing a special tax from industries like the tourism sector:

“.....if the government could come up with a plan where these foreign direct investments or big business in the country are being asked to take their social responsibility, one way of doing it would be to channel a certain amount of money every year to a pool for educational funds. Ask investors in the country to give a percentage of their profits into this fund pool”

The government charges bed taxes and the lease rents from the tourist resorts. Charging a special tax from the tourist resorts can be something the government can consider, since many graduates from the Faculty of tourism and Hospitality Studies get employment in the private tourist resorts. If this tax goes into the government revenue it would not be effective, since higher education has to again compete with other public sectors for the same funds. As mentioned by one of the participant, if the funds are put into a pool for education, then the benefits can be seen. The World Bank states,

“the government must continue to use revenue generated in tourism to maintain large investments in education and vocational training, in order to ensure that the labour force possesses an appropriate skills mix to sustain robust development in a middle income economy” (2008a: 10).

However justifying a special tax on the grounds that graduates find employment in private tourist resorts can be unfair and baseless. There are other private sectors the graduates of MCHE find employment, hence taxing only the tourism sector will be unjust. There were also concerns on burdening resort owners in the Parliament while debating on a tax Bill.

According to Jackson (2002) having enough capital in a student loan fund is a crucial condition for it to be successful. Jackson (2002) states that there is an important point in cost-sharing in higher education which the international literature overlooks or neglects that is the capitalising of student loan schemes. Jackson (2002) further states that the South African National Ministry of Education had the will and motivation to inject funding into the National Student Financial Aid Scheme [NSFAS]. Jackson (2002) states that securing a capital for NSFAS played a major role in its success in South Africa. He further stated that, in many developing countries it is a major challenge to capitalise a student loans scheme.

The loans which are provided for students should be large enough to cover their tuition and living. But very often when there is not enough the loans are rationed out. Barr (2004) states that this rationing is not effective since students cannot maintain themselves and this impedes access.

In the NSLS 2010 loans are rationed in order to reach more students. Under this scheme each student receives MRF2000 per month. For most academic programs offered in MCHE students have to pay a tuition fee. The fees for most diploma and degree programs range between MRF4400 to MRF12920. Students have to pay for the courses enrolled each semester (MCHE 2010). MCHE do not charge upfront fees. Nevertheless, students will have financial hardships to maintain themselves, even without tuition fees. As MRF2000 is not sufficient for maintenance. Those who are from the capital Male' or those living in the capital Male' with their families will have an advantage since they have a place to live. But student from atolls who do not have a place to stay in the capital have to rent a place. Paying tuition fee and renting a place even with assistance from parents may not be possible for students from the atolls. The availability of student housing is limited in the Maldives. The rents in the capital are very high, even a one room apartment is more than US\$700.

Hence here it could be argued that this scheme encourages social exclusion of students from atolls and mostly these are people who are from disadvantaged backgrounds. The student loan scheme should have features which cater for students from different geographical locations.

According to Tilak (1992) the amount given to student as loan (in the national student loan scheme established in India in 1963) remained the same over the years. He further stated that the loans were not adjusted to inflation in the country. The consumer price index in 1960 was 100 and it increased significantly to 803 in 1988 (1992). Tilak (1992) further stated that the loan amount had no relation on the tuition fee structures. The tuition fees were subsidised by the government, Tilak (1992) argues that this subsidisation benefited the rich. These were some problems associated with the student loan scheme in India.

In March 2010 application for student loans were again announced due to a lack of enough applicants (Television Maldives [TVM] 2010). MRF2000 per month is not enough for students to maintain themselves as mentioned. Hence here it could be argued that students are deterred from taking the rationed loans. In the past, students were given a grant of

approximately MRF2000 per month. This grant only applied for students who were enrolled in some selected programs. These programs included areas where there is a shortage of skills, example teaching and nursing.

Providing loans instead of grants can be a move towards cost recovery since the government can no longer continue giving out grants. But a national student loan scheme should be structured in a way which gives preference for students from disadvantaged backgrounds instead of further marginalising them. Then again, here we should also note that this is a short loan program which is only applied for the year 2010.

4.3.2 Administration

All participants agreed that having a good administration for monitoring students and for the recovery of loans are vital for a student loan scheme to be successful.

4.3.2.1 Recovery of loans

The participants expressed that, administration of loans needs to be well handle for a student loan scheme to be successful. They further stated that the recovery of loans was as crucial as handling the administration of loans. One participant highlighted that in the past recovery of loans have not been handled well in the country, and stated recovery needs to be done well for a student loan scheme to be successful.

“.....we need to have a system of recovering the loans. We don't have a very good system of recovery of loans. In the future we have to tide it to some form of automatic deductions”

Under the third education project the government received a loan from the World Bank to train graduates with different skills. Students were given part scholarship and part loan to attended foreign higher education institutions for their education. Students signed an agreement to pay 15 per cent of the total cost upon employment without any interest. Due to weak administration recovery has not been done properly. Ministry of Human Resources was approached for data on recovery of the loans. Unfortunately information was not received. This could be because the Ministry do not have proper records. Deputy Minister, of this Ministry admitted that they do not have proper records and recovery was going badly.

By examining the NSLS 2010 it was evident that there is an emphasis on recovering loans. Borrowers were asked to show a personal guarantor. As discussed in section 4.1.4 and according to Johnstone (2004) when a family member signs as a guarantor they will emphasise the importance of repayment to the borrowing student. This will force the borrower to believe and understand that loans are an obligation which needs to be repaid. Asking for guarantors could lead to better recovery of the loans. However there could be negative consequences as well. “It might very well be the case that precisely those people who most need support will be the least able to provide guarantors” (Albrecht and Ziderman 1992: 365).

Furthermore on the Student Loan Bill elements on cost recovery is clearly stated. A firm framework for recovery of loans is proposed (refer to section 4.1.4.2). It is likely that students from disadvantage backgrounds will have difficulty finding personal guarantors’. Students from this group are the ones who are in greater need of assistance for their education (Albrecht and Ziderman 1992). Hence the government needs to have policies to prevent this so that no one is excluded when they cannot show a guarantor.

4.3.2.2 Monitoring

All five participants stated that the Maldives need to put in place a good monitoring system where students could be tracked and also their income. The participants also stated that the student’s employment history needs to be followed thoroughly and also a common system of payment needs to be put in place.

“An efficient administrative and record keeping set up must be in place to make such a scheme successful”

By reviewing the documents it was noticed that the responsibility of administering and monitoring of loans under the NSLS 2010 was given to the Bank of Maldives [BML]. Experiences from Ghana have shown that relaying on the banks may not be such a wise decision. The student loan scheme introduced in 1975 in Ghana proved to be highly costly to the government, due to its high defaults. Under this scheme the government transferred a budget to a specific bank in Ghana and students approached this bank for the loans. In 1986 the government noticed that the recovery was not going so well. According to Kotey (1992) the amount due for repayment was ₦33.48 million while repaid was ₦184.338. Kotey (1992) identified two factors which could have resulted in this unsatisfactory recovery. These are:

- Employers were given the authority by the law to deduct a certain amount from the graduates each month and to transfer this to the bank. There were little incentives for these employers to do this.
- The loans did not belong to the banks. The banks only handled the administration and distribution of the loans. Hence the banks made little effort to recover the loans.

Even though the loans are not recovered the banks loses nothing. Albrecht and Zideman (1991) stated that opting for banks to recover loans does not guarantee effective recovery. However a country like Maldives with weak infrastructures to recover loans, opting for banks can be better and less costly (as discussed in section 4.2.1.2), as further asserted by Albrecht and Zideman

“programs that rely on commercial banks or taxation departments have been far less costly to administer. Operating costs for commercial banks tend to be much smaller than autonomous loan bodies” (1991: 18).

By making a strong contract with the bank can solve any possible lousiness on the loan recovery by the banks.

4.3.3 Strong Legal Framework

Four participants highlighted the importance of having a strong legal framework as a factor for a student loan scheme to be successful. These four participants expressed the importance of having laws to bind students to repay any student loans.

“Adequate legal framework should also be in place to ensure that loan recovery is legally enforceable”

Woodhall (1992) states that in developing countries there is a need to develop laws so that recovery of loans can be legally enforced, since without a proper recovery, it will be very hard to sustain a student loan scheme. According to Jackson (2002) the South African politicians and government had given its backing to NSFAS by creating a legislative framework in which the scheme can work and operate. He further stated that without such a framework survival and success of such a scheme is minimal in a developing country.

Legislation made NSFAS a legal entity giving authority to function and carry out its mandates. As a legal entity NSFAS was able to operate by providing students with loans and

most importantly in recovering the loans from debtors (Jackson 2002). Moreover NSFAS act of 1999 granted access to State information systems for the purpose of tracking debtors and obligating the employers to make deductions from monthly salaries of debtors. Another success of the student loans in South Africa according to Jackson (2002) was making NSFAS a legal entity and giving legal authority to enforce repayment.

The NSLS 2010 established in the Maldives do not have any legal authority to enforce repayment. However providing BML with the responsibility of administration and the collection, to some extent can be effective provided the NSLS 2010 has a strong contract with the banks.

One of the participants expressed that even the private employers' needs to be legally enforced to pay the salary for graduates through the banks so an automatic deduction can be made to the loan fund. All four participants stressed the importance of establishing a common salary payment mechanism.

“I think the government can insist to the private employers through law to pay the salary through the banks.....”

Salary for civil servants and the public sectors are paid normally through BML, where as some private employers use BML or other means to pay the salary for their staff. When all employers use a common method for paying the salaries, for example using the banks, it will be easier to track the income and make deduction on debts. However here it should be noted that the bank account of a borrower may not indicate the true monthly income of a borrower. Despite all this even if the government manages to enforce the private sector to pay salary through a bank, without a strong legal framework the income of a self employed borrower will be very hard to estimate.

The Banks in the country has legal authority of forcing people to repay any loans given by the Banks. On the documents of NSLS 2010 it was stated that the BML will take the responsibility of distributing the loans. As discussed earlier asking the banks to administer the loans can be much cheaper and also the banks can do a better recovery compared to the government. Since the government do not have efficient recovery mechanism in place yet.

4.3.4 Interest Rates

One participant out of five stated that a reasonable percentage of interest rates need to be charged from the students for a student loan scheme to work successfully. By reviewing the NSLS 2010 it is noticed that the students will be charged 5 percent interest on the total amount borrowed. Whereas, in the Student Loan Bill it is emphasised that students cannot be charged an interest more than 8 percent by the Banks.

Many economists argue that when a low interest is charged on a student loan the lender or the government is actually bearing this loss, this loss goes into the default of a loan. Many economists state that this subsidisation is a hidden grant and further argues that hidden grants are not effective (Johnstone 2008 Chapman 2008 Barr 2004). Because it increases default, they are highly regressive, ineffective and impede access (Barr 2004). The inefficiencies of hidden grants were discussed in section 2.8.2.

The Thai student loan scheme introduced in 1997 had an extensive amount of subsidy, and for this reason questions were raised over the financial viability of this scheme and its sustainability. "...it may indicate that a regime of grants offers a more cost effective alternative" (Ziderman 2003: 33) rather than a loan scheme with extensive subsidy. A financial analysis by Ziderman on the Thai student loan scheme indicated that, the scheme was "overly generous, providing borrows with unnecessarily high subsidised loans (effectively, hidden grants), which may be effortlessly repaid out of higher income received on completing the courses of schooling (2003: 75).

Barr (2004), Ziderman (2003), Johnstone (2004) and Johsntone et al (2008) all agree that a reasonable amount of interest should be charged on student loans. One solution is to charge an interest which is not lower than the government cost of borrowing. In the South African student aid program NSFAS charges a real rate of interest, that is 2 percent so the actual rate of interest charged each year varies with the rate of inflation but the interest rate remained 2 percent above the consumer index of the previous year (Jackson 2002). According to Jackson (2002) the interest has ranged from 15.5 percent in 1992 to 7.6 percent in 2002 but remains 2 percent above the average consumer index in the previous year. NSFAS believe it should charge a reasonable value of interest on the loans borrowed in order to maintain the purchasing power of the money and also to cover some administrative costs of NSFAS

(Jackson 2002). According to Barr “...interest subsidies are expensive; positive real interest rates are politically feasible....” (2004: 276).

Maldives is a 100 percent Muslim country. Giving and charging Interest is an issue¹⁵ debated among Islamic scholars and opinion varies among scholars. Some argue that it is not permissible to give or charge interest. (for such discussions refer to Kahf 2001 and Al-Kawthari 2003). Some scholars argue that borrowing a student loan with interest for the purpose of education is permissible since the interest is not charged at a commercial rate, but some scholars oppose this.

In the Maldivian society there may be people who will be deterred from taking a loan if they have to pay interest. However so far in the Maldivian society this does not seem to be a major problem, Maldives do not have an Islamic banking system. The Ministry of Islamic Affairs in 2009 expressed its interest in establishing an Islamic bank in the country. It is very difficult to state how prospective students will react to interest. However, there will be a number of students who will be hesitant to borrow a loan if they have to pay interest. A research conducted in the United Kingdom by Callender (2003) indicated that a religious factor may have contributed to low student borrowings in 1998/99 from, students from some ethnic origins. Callender further stated that “this finding highlights the ethnocentric nature of the student funding system, and how it indirectly discriminated against certain student groups” (2003: 143). Thus, it is important not to marginalise a part of the Maldivian society. Therefore the government needs to think of strategies to cater to the needs of all students regardless of what they believe in.

4.3.5 Objective of the scheme

One participant out of five stated having clear objectives for a student loan scheme is a crucial factor for it to be successful.

“First of all the objective of the scheme must be very clear. What are the policy objectives we are trying to address through a loan scheme must be clear”

The objective of a student loan scheme will provide many answers. It can reveal the targeted groups, the reason for establishing a scheme that is if the scheme is to increase access or to increase cost sharing. In addition the objective of a student loan scheme can provide answers

¹⁵ University of London, Advice and Counseling Services. <http://www.welfare.qmul.ac.uk/money/4610.html>

if the scheme has been efficient or not after its implementation. According to Ziderman (2003) the student loan scheme introduced in 1997 in Thailand had all features of poor planning and indicates it was established in a hasty manner. He suggested that the scheme needs to establish a framework for future, and need a proper financial plan.

According to Ziderman (2003) the only objective of this scheme was purely social, lending money to poor students for tuition fee and other expenses. The Thai student loan scheme has a number of failings. These are: a weak central planning, weak forward planning, lack of evaluation and monitoring. “Problems of process, as they arose, have been dealt with mainly on an ad hoc basis. The scheme has tended to drift; it has not been steered effectively” (Ziderman 2003: 102). Hence this highlight the importance of having clear, target orientated objectives in a student loan scheme.

4.4 CHALLENGES FOR THE MALDIVES IN IMPLEMENTING A STUDENT LOAN SCHEME

Participants were asked questions in order to identify the challenges Maldives may face when implementing a student loan scheme. The participants identified three factors which could be a challenge.

4.4.1 Administration

Two participants out of the five felt that administration and monitoring would be a major challenge for the Maldives to implement a student loan scheme. The participants further stated that the Maldives has a weak administrative and management capacity and one participant stated that developing a good monitoring system would be a major challenge as well.

Maldives do not have an efficient record keeping system. The reasons for this could be many. Firstly, untrained staff to handle the administration and monitoring. Secondly, lack of motivation since this may not be under the job description of the staff. Thirdly, there is no independent body to handle a student loan scheme. Finally use of incompatible IT systems for such activities. For the mentioned reasons administration of a student loan scheme will be a major problem.

Kenya introduced its first student loan scheme in 1974 this scheme proved to be a huge failure. This was due to the inability to administer the student loan scheme. The main reason for this was the absence of readiness to administer such a scheme (Johnstone 2000). According to Salmi (2003) 81 percent of loan beneficiaries did not repay. This was both due to external factors such as unemployment and as well as internal factors such as poor administration on loan recovery (Salmi 2003).

4.4.2 Identifying Income

All five participants stressed the difficulty and the challenge that the Maldives will have in identifying income of the graduates and also their families. One participant highlighted that the Maldives do not have income taxes and identifying ones income level would be very difficult.

“The problem is in most of the countries they have income tax and since we don’t have, it’s going to be very difficult”

“The first things is that we don’t have any authoritative way of identifying any ones income”

There is no legitimate way to identify the income of a person in the Maldives. Thus, it would be a major challenge if student loans have to be means tested. According to Albrecht and Ziderman

“in developing countries means testing can be extremely difficult, particularly where income tax systems are not in place, where the extended family is important and where the non-market sector is sizeable” (1991: 24).

All features stated above by Albrecht and Ziderman exists in the Maldives. One participant stated that the Attorney General’s office uses a means testing program to give assistance to people who cannot afford a lawyer. People asking for legal assistance have to fill a basic form giving information about their financial status. The participant further asserted that for a student loans scheme, this type of means testing can be used for a start. However this type of means testing does not guarantee that true information will be provided by the borrowers.

4.4.3 Proper Recovery

Four out of five participants believe that efficient recovery of the loans will be a major challenge to the Maldives. One participant pointed that due to poor monitoring and administration in the country, any student aid program could lead to poor recovery of loans. Another participant stated that with any loans it is possible to get away without paying in the Maldives.

“There is a tendency that you can get away without paying any loans given by the government”

Maldives do not have a very strong legal system so to legally force a borrower to pay back will be a major challenge. In the past recovery on some programs (third education project) were not properly managed. Due to a lack of data it is not easy here to give any figures. However, high officials in the government admitted that recovery and administration was not handled well. On several occasions request for data was made and it was promised that the data will be provided. Some government officials said they must have the data but records were not kept well. This proves the inability and inefficiency to handle a student loan scheme. In addition, this shows the lack of readiness in administering a student loan scheme.

According to Johnstone (2000) the default on student loan schemes in the 1980's in Kenya estimated to be more than 90 percent. Recovery of loans is a core issue which will finally lead to success or failure of a student loan scheme, ultimately resulting in its survival and existence. Tilak (1992) estimated that only 10 percent of student loans between 1977 to 1978 was recovered in India. According to Johnstone (2000) student loans recovery is a major hassle in the developing countries.

Making a student loan scheme to work properly is a major challenge and questions have been raised if student loans are feasible in developing countries (Woodhall 1992). However, Woodhall (1992) further argues that student loans can be feasible provided it is well designed and efficiently managed. “...it is possible to design and administer financially sustainable programs if effective collection programs, appropriate interest rates, and income contingent schemes, can be made operational” (Johnstone et al 1998:11). Hence careful designing and implementation is crucial for such schemes to be successful

Nevertheless, with proper planning and policies these difficulties in recovering loans in developing countries could be overcome. In 1989 a new student loan scheme was introduced in Ghana. This is funded by the Social Security and National Insurance Trust, with its initial funding from the government. Under this scheme graduates have to repay when they are employed. Their monthly contribution to Social Security Scheme is used to pay to the repayment of the loans (Kotey 1992). When students are required to pay to the Social Security¹⁶ fund, this gives them extra incentives to repay their loans. This suggests that even though the Maldives do not have an income taxation system, with a social security scheme problem of recovery could be solved.

4.5 STRATEGIES NEEDED TO OVERCOME THE CHALLENGES

Questions were asked to identify how the Maldives can come around the challenges to implement a student loan scheme successfully. Participants identified three major areas which need to be strengthening for any sort of a student loan scheme.

4.5.1 Awareness

Three out of five participants stated that awareness in the society is a crucial factor to overcome some of the challenges. These include making citizens understand that it is a social obligation to pay back any loans and second give awareness one has to be truthful when providing information.

“We need to make people aware, people really need to believe that they have to pay. This is like a trust, if you benefit from a scheme you need to contribute to the scheme it is an element of social responsibility”

One of the conditions for the effective management of student loan is to have awareness programs and widespread public campaigns to ensure the understanding that repayment of loans are an obligation which needs to be done (Woodhall 1992). Enough emphasis on repayment needs to be made when distributing the loans.

¹⁶ “Another desirable option, where feasible, is to use social security (or national insurance) payroll deductions. Individuals often have an incentive to pay this tax, since they benefit in proportion to what they pay. In Ghana, a new student loan program collects payments through the social security system. Graduates repay their loans, through their standard social security deduction which goes to the education budget rather than to their own benefit account. Students, therefore, repay their loans not through an increased social security tax rate, but rather by deferring contributions to their own retirement accounts until the loan is repaid” (Albrecht and Zideman 1992: 364).

Public awareness should also foster the acceptance of a student loan scheme. Otherwise it is unlikely such a scheme will work in a society. This was the case in Ghana in 1971. Ghana introduced its first student loan scheme in 1971. Scholarships, that is grants were only given to merit students, the rest had to go for the student loans provided. Tuition fees were free in Ghanaian higher education institutions. The student loans were only targeted to the maintenance of the students (Kotey 1992). The Ghanaian public did not accept the cost-sharing strategy put down by the government, and demanded for grants and scholarships, as previously were done. This resulted in political tensions and the scheme was abandoned in 1972, with the fall of the government. This shows the sensitivity of student loans, thus, public awareness campaigns should be carried to provide information why all beneficiaries of higher education should contribute towards the cost of higher education.

Moreover the prospective students and the public should be made aware of the benefits of higher education or else few students will be ready to borrow from a student loan fund. This was the case in India, according to Tilak (1991) student loans in the Indian society was psychologically not welcome. Hence awareness is vital to achieve the objectives of a student loan scheme.

4.5.2 Administration

Three out of five participants feel that by strengthening the administration, the major challenges in recovering the loans can be solved. All three participants highlighted the importance of having strong institutions dealing with administration and recovery of loans.

“Strengthening capacity in government agencies responsible and in commercial banks. Put in place effective and easy repayment /collection practices”

Having a strong administration system is crucial for any type of loans, since distribution, recording keeping, monitoring of borrowers will be handled by the administrators of a loan scheme. In developing countries due to weak administration student loan schemes are suffering from poor recovery (Albrecht and Zideman 1992).

4.5.3 Strong Legal Framework

Three out of five participants believe that legislating new laws could help the Maldives overcome the challenges of establishing a student loan scheme. All three participants felt that new laws need to be legislated and exiting laws needs to be revised well so that the legal

framework of the Maldives can accommodate to aid in establishing a student loan scheme successfully.

It would be almost impossible to force a borrower without a strong legal system. To do this firstly the student loan scheme should become a legal entity and should have legal authority to function properly. Jackson (2002) stated that one reason for the success of NSFAS was because NSFAS was legislated as a legal entity in South Africa. Nevertheless, it would take time to strengthen the legal system and make new laws which caters for a student loan scheme in the Maldives.

In Kenya new laws were legislated specially to accommodate to the new student loan scheme introduced in 1995. Based on the new laws students and employers were obligated to pay the loans. Severe penalties were set in place for students and employers who did not make the repayments (Johnstone 2000). Moreover Johnstone (2000) states that under the new laws the graduates who had outstanding loans from the 1970s also has to repay their old loans. Employers were also instructed to deduct from employee salaries for repayment of loans taken in the 1970's.

A strong administration, public awareness and strong legislation are the utmost important factors in overcoming the challenges to implement a student loan scheme in the Maldives.

4.6 SUMMARY

The first part presented the rationales for establishing a student loan scheme in the Maldives. The participants came up with several rationales why Maldives need a student loan scheme. These were to enhance equity, increase participation, increasing efficiency, financial constrains of students, limited opportunities and accommodating for future trends.

The conditions needed for a successful student loans scheme was also discussed. The participants identified several conditions these were resources, reasonable interest rate, efficient administration, legal framework and clear objectives of the scheme.

The challenges the Maldives will face when implementing a student loan scheme were making a proper recovery of loans, efficient administration and identifying incomes.

Finally, in the last part participants stated how these challenges can be overcome. The strategies to overcome the challenges by the participants were establishing efficient administrations, legislating new laws and awareness in the society.

The next chapter will present a conclusion for this study and some recommendations. Suggestions for further research will also be presented.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The main objective of this study was to examine if the Maldives has the capacity to implement a student loan scheme. This study has explored the Maldivian context to understand the challenges for a student loan scheme to function properly and has investigated the purpose of establishing a student loan scheme in the Maldives. This study was guided by four research questions. What are the rationales behind establishing a student loan scheme in the Maldives? What are the conditions which need to be present in the Maldives, for a student loan scheme to work successfully? What are the challenges the Maldives will face when implementing a student loan scheme? And what are the strategies which could resolve these challenges? In the following, the main findings from this study will be reflected upon.

5.2 FRUITFULNESS OF THE HUMAN CAPITAL THEORY

How suitable was the human capital theory in explaining the Maldivian context?

As pointed in section 2.10 the Maldives is going through an important phase with the introduction of democracy. The success and sustainability to strengthen this new founded democracy, actually lies on education. As mentioned in section 2.9.3, education can increase the awareness among the citizens and their acceptance of new transformations in the country. A politically stable country has the favourable conditions which will attract foreign investors, and this could benefit the country in many ways.

Education is also a core ingredient in the empowerment of women, making them self sufficient and independent (Kabeer 2001). Women make a significant proportion of the Maldives. Their participation is crucial in all sectors of the country. The human capital theory was not sufficient enough to explain this current social dynamics of the Maldivian society. Perhaps, a differentiated approach with theories on democratisation and on social

inclusion could have been more suitable in explaining the current transformation the Maldives is going through.

However, the human capital theory was sufficient enough to explain the economic dimension. Maldives is currently suffering from skill shortages in many sectors, as discussed in section 4.2.3.2. The findings of this study suggest that there is a strong economic rationale to promote higher education in the country. The basic rationale to invest in higher education should not only be to train people to meet the skill shortages. Creating a strong knowledge economy which can compete in a globalised world should be the basic rationale. A country with a strong knowledge economy has the means to compete and to stand firmly in a globalised world. This means investing in higher education and research are vital for economic growth of the Maldives. As suggested by the human capital theory, by increasing the educated population will bring out these economic benefits.

5.3 RECOMMENDATIONS FOR FURTHER RESEARCH

There are several suggestions for further study in this area. Firstly, it is important to find how the public will react to a student loan scheme. Especially it is important to see if students are willing to invest in their higher education through student loans. Hence a survey is highly recommended. However, this study has brought up the issue of awareness in the society for a student loan scheme to function efficiently. Also, this study highlighted the importance of public awareness on the benefits of a student loan scheme (refer to section 4.5.1).

Secondly, there is an urgent need to find enrolment patterns of students from different geographical locations in the Maldives. So a student loan scheme can be designed to cater to students from different parts of Maldives. A survey among the atolls and the islands should be carried through. Nevertheless, this study has highlighted how a student loan scheme can be targeted to people from disadvantage groups to enhance equity in the society.

Lastly, in this study the administrative staffs who had been handling some previous student loan schemes were not interviewed. They could provide crucial information on ways to improve implementation, improve monitoring and recovery of student loans. However due to the limited time, this was not possible. Nonetheless, the key informants of this study indicated that the administration and recovery would be a problem in the Maldives.

5.4 CONCLUSION AND RECOMMENDATIONS

There is no doubt that the Maldives need a student loan scheme. Maldives needs to address its lack of an appropriate level of a knowledge society, if Maldives want to survive in a global economy. Higher education in the Maldives should not be treated only as a tool to train citizens to meet the national demand on skills but rather it should also serve as a tool which can create innovative technologies and products. Thus, research is a vital ingredient which can facilitate towards a knowledge society and create innovative technologies.

There is an urgent need to develop the capacity of human capital in the country. The government need to understand the importance of higher education to the economy of the country and should provide more attention to the higher education sector. The politicians of the Maldives should have the political will to instigate more investments into the higher education sector.

Although primary and secondary educations are important these are not enough for the economic development of the country. Thus, the development of the higher education system of a country need not be neglected though priority is given to primary and secondary education. Therefore, the Maldivian policy makers need to accept that for the development of the Maldives, higher education is a core ingredient.

Economists agree that establishing student loans are fairer and economically feasible rather than grants (Johnstone et al 2008 Barr 2003). The Maldivian government needs to take the initiative to establish a long term student loan program rather than short term programs which are established with poor planning. The student loans should have elements which encourage students from poor backgrounds to take the loans to invest in their future so participation can be increased. The student loans should be enough for students to cover both their tuition fees and living. If the loans are rationed out the benefits of a student loan scheme can not be achieved. As mentioned in section 3.9.2, this would lead to low borrowings and will impede access.

Students from poorer background should not be excluded, thus this calls for easy reasonable repayment conditions, which eliminates possible future financial hardships of the graduates. Income contingent repayment conditions should be incorporated as much as possible. However here it is important to acknowledge that this would be an enormous challenge since

there is no authentic way of identifying an individual's income. In addition the design of the student loan scheme should have features which cater students from different geographical part of the Maldives and from different socio-economic backgrounds. A student loan scheme should also have features which provide specific concessions for students from the atolls. However, this should depend if they have to move to another island to access higher education.

Government guaranteed bank loans alongside a national student loan scheme initiated by the government can be implemented to reach a wider number of students. The objective of any student loan scheme should be clear whether it is a bank loan or a national student loan scheme as this will shape the design of the scheme. That is whether it is to increase participation there by increasing the human capital capacity or to enhance equity in the society.

Training should be given to the administration staff who handles the procedures of the student loan scheme. In addition a special department should be placed within the Ministry of Education to specially run the student loan program. Making BML responsible for the administration of a student loan scheme, could be initially cheaper, however this should not be made into a permanent solution. As discussed in section 3.6.2 and 4.3.2.2, this could lead to inefficient recovery of the loans.

New laws needs to be legislated so a student loan scheme can function efficiently and the student loan program should be made into a legal entity. New laws should give authority to enforce a borrower to make the repayments. The student loan program should have legal authority to enforce the employers of the borrowers to repay the loans. The employers can be made responsible to make the repayment on behalf of the students. In addition there should be incentives given to the employers to make repayments and penalties should be imposed on cases where employers do not make the repayments.

Defaults on student loans should be minimised and emphasise on any student loan scheme should be given on the recovery of the loans, so a revolving fund can be created. However, the government has to continuously inject capital in to the loan fund since it would be impossible to recover all loans due to some amount of interest subsidies and possible defaults. The loans should not be extensively subsidised or else this would increase the default rate. It would be more efficient to give a certain amount of grants, depending on the

completion of courses each semester, rather than subsidised student loans or direct grants which apply to all students regardless of their academic efforts.

Finally in concluding here it should be stressed that the Maldives need several infrastructures to be build as mentioned above for efficient implementation and recovery of a student loan scheme. Some of these are strong legal framework, income identification mechanisms and a competent administration to handle the procedures of a student loan scheme. These are crucial factors for the viability of a student loan scheme in the Maldives. I'll like to conclude this study by the statement from the World Bank,

“Maldives needs a population with good quality education, including higher education, to provide the managerial and technical skills necessary to sustain economic growth and to be globally competitive” (World Bank 2008a: 13).

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APPENDICES

APPENDIX I: Interview Guide

INTERVIEW GUIDE FOR POLICY OFFICIALS

Rationale and the purpose for a student loan scheme

- What do you think are the rationales in formulating a student loan scheme in the Maldives?
- Could you explain why a student loan scheme is crucial for the Maldives?

Student loans for Maldives

- What do you think would be the most suitable financial support scheme for Maldives?
- Do you think we need other types of student loan in the country?
- One of the most successful student financial support is the ‘income contingent loans’, do you think we could implement such a scheme in the Maldives?
- What factors should be present in the Maldives so that this scheme will be suitable?
- Suppose we implement a *need-based* financial scheme, how could we identify these students?
- If the Maldivian government implements a national student loan scheme, do you think students should be allowed to choose the institution they want to attend in the country (private institutions or public institutions)?

Factors needed for a loan scheme

- What factors are needed to successfully implement a student loan scheme in the Maldives? How can we get the initial funding?
- What do you think are the most important factors which should be considered in the Maldives to successfully implement and execute a student loan scheme?

Challenges

- What do you think are the challenges Maldives may face in implementing any type of student financial support?
- How can we overcome these challenges?

Recovery of loans

- Student loan schemes can be costly due to the high default rates. Could you explain how we could overcome this problem so that we can maximise the recovery of the loans?
- What are the most important factors which would allow the recovery of student loans?

گوئی کہ سرسبز و سحرآمیز

- 1- ئىزىپ كۆچۈرۈش ۋە ئۆزگەرتىش ئىشلىرىنى ئۆز ئالدىغا قىلىش.
- 2- ئىزىپ كۆچۈرۈش ۋە ئۆزگەرتىش ئىشلىرىنى، ھەم ئۆز ئالدىغا قىلىش، ھەم ئۆزگەرتىش ئىشلىرىنى ئۆز ئالدىغا قىلىش.
- 3- ئىزىپ كۆچۈرۈش ۋە ئۆزگەرتىش ئىشلىرىنى، ھەم ئۆز ئالدىغا قىلىش، ھەم ئۆزگەرتىش ئىشلىرىنى ئۆز ئالدىغا قىلىش.
- 4- ئىزىپ كۆچۈرۈش ۋە ئۆزگەرتىش ئىشلىرىنى، ھەم ئۆز ئالدىغا قىلىش، ھەم ئۆزگەرتىش ئىشلىرىنى ئۆز ئالدىغا قىلىش.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

- [illegible]

[illegible]

- 1- چوڻي ٿيندڙ رٿي جي سنه 2083 قريش جي سنه.
 - 2- چوڻي ٿيندڙ رٿي جي سنه ۲۰۸۳ عيسوي:
- (ا) چوڻي ٿيندڙ رٿي جي سنه ۲۰۸۳ عيسوي
- (ب) چوڻي ٿيندڙ رٿي جي سنه ۲۰۸۳ عيسوي
- قريش جي سنه ۲۰۸۳ عيسوي.

3- مؤخر ٢٠٨٣ قمری بمطابق ۱۳۰۲ شمسی، قمری ۱۴۰۲ و ۱۴۰۱ قمری
مؤخر ٢٠٨٤ قمری (قمری ۱۴۰۳ و ۱۴۰۲ قمری) بر سرش.

4- $\frac{1}{x^2} = x^{-2}$ $\frac{d}{dx} x^{-2} = -2x^{-3} = -\frac{2}{x^3}$ $\frac{d}{dx} \frac{1}{x^2} = -\frac{2}{x^3}$

چونکہ اس وقت کے مسلمانوں نے

1- مۆتىدىل جەمئىيەت بىلەن قۇبۇل قىلىنىدىغان شەرتلەر ئارقىلىق سەھىھەتتىكى ئىش
 ۋەزىيەتلىرىنى، كەسپىي كەسپىي 500.00 (ئۆسمۈرلەر ئىش) ۋە ئۆسمۈرلەر ئىش
 قىلىنىدىغان.

2- خوشترى زخمشىرى شىرى قارىسى رىسەتلىك تۈرۈنلەر، ئۆستۈرۈش تۈرۈنلەر، جۇجۇق بېقىرىنىڭ 5% رىسەتلىك خاھارلىق زخمشىرى شىرى قارىسى.

3- مۆتىدىل ئىجتىھاد بىلىمى، ئاساس سۈپەتلىرىنى تېزىسى، مۇسۇلمانلار 6 (ئالدىنقى) دەرىجىسى
قۇبۇلىش رەسمىيەتلىرىنىڭ قىرغاقلىرىنى تېزىسى.

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ފަދަ: "ސަވަނަ ސަބަބު" ޖިސީބު ޖަދު ރިޖިސްޓްރީ ޖަދު ރިޖިސްޓްރީ ފަދަ ފަދަ ފަދަ
 ފަދަ ފަދަ ފަދަ (www.employment.gov.mv)

“સત્યનાર કાલકાલે જીવે, મોક્ષનાર મોક્ષનાર”

www.mab.gov.mv

25 مئی 2010ء

APPENDIX III: Tables with the coded data from the interviews

Table 4.1: Rationales for a student loan scheme in the Maldives

Categories	Themes		Interviewee 1	Interviewee 2	Interviewee 3	Interviewee 4	Interviewee 5	NSLS	BILL
	Sun-Themes								
Rationales	Financial Constraints	lack of availability of loans	“One is to address the inability for students to borrow from financial institutions ie banks for the purpose of higher education”				the intention of the bill I proposed to the parliament last year was primarily aimed at asking the private commercial banks in the country to take up their social responsibility		to instigate the commercial banks to take their social responsibility by providing loans for the purpose of education
		Social factors	generally most of our families are not in a position to self finance their children’s higher education	Maldivians do not have a habit of saving and they don’t have enough money to support their children abroad. So it is important to have a support scheme for students					

Equity	Secondly we need a financial support scheme to address issues of equity. Well deserving and academically capable students should not be prevented from accessing and remaining in higher education because of financial hardships		It doesn't need to be academically well students only who go through Higher Education, to have the ability is one thing and to have the drive is one thing	I have seen how entrepreneurs behave and I have seen how you become a salve of them, we need to have more dignity than that as students	The purpose of the bill is to provide opportunities for students from middle and low income families to finance their higher education
	<p>Obligation of the State</p> <p>It is a state responsibility in my view to encourage greater participation in higher education in general</p> <p>and to support students from low-income families who may otherwise be held back in participation in national development work</p> <p>Development of Maldives</p> <p>As we know we don't have enough manpower to cater for the needs of the country. So I think the country is calling loudly for trained people so it is important to have student financial support scheme</p>			give emphasis on shortage of skills	to increase the number of graduates with competent skills so that they can meet the labour market needs

Future trends	Change in Status	Your research must have already shown that the number of scholarships from foreign countries is on the decline. The graduation of Maldives from a least developed country to a developing country, the change in status should mean less scholarship		
	Increasing demand	Higher education is moving towards mass participation in most countries. It is already the case in many western countries. There is no reason why Maldives will not move in this direction	Currently we have 3000 students enrolled in A'level so at least a third of them would want to go for a certain amount of higher education. So we have a great demand for higher education so its important to create a series of schemes	I don't think the Maldivian government would be able to cater for the immense demand for tertiary education

	Necessity	<p>We have to come up with a comprehension student loan scheme in the Maldives until now we have been primarily being dependent on scholarships given by foreign countries, commonwealth and other organizations</p>	<p>There is a local scheme funded by the State treasury which does not require or involve any cost recovery. In the long run we cannot sustain this without a cost recovery facility and also to form a revolving fund</p>	<p>We have a very young population I think 75% of us are under the age of 40 and about 25% of them are under the age of 18 or 21 so the amount of youth we have who would need education and who would need to build their dreams is immense and I do not see the government could do that.</p>
	Limited Opportunities	<p>MCHE do not offer all the courses to cater for all students they have a limited curriculum, limited areas. So in order to cater for all students it is very important that we have a support scheme</p>		<p>The rest of them are straggling in the country there are avenues for some higher education for diplomas and some degree programs but those are very limited.</p>
	Efficiency		<p>The other reason is that when we don't have to pay we tend to be a bit negligent and therefore I believe we have to fund people who are serious about it</p>	

Table 4.2: Conditions for a successful student loan scheme in the Maldives

Categories	Themes	Sub-themes	Interviewee 1	Interviewee 2	Interviewee 3	Interviewee 4	Interviewee 5	NSLS	Bill
	Resources		The government budgetary resources is a good sources to start with	We have to secure a huge loan as the government do not have the money	first of all we need to have some capital available in the scholarship fund		I think the government needs to devise a new strategy to enhance more finance		
Conditions for success	Administration	Recovery	Effective loan collection system or institutions should also be created.		we need to have a system of recovering the loans. we don't have a very good system of recovery of loans. In the future we have to tide it to some form of an automatic deductions especially for those who are working in government jobs.	Its vital we do a proper recovery.		emphasis on recovery	To borrow the loans students have to show two guarantors, in addition the government has to be a third guarantor. In case of default the two guarantors have to repay 40 percent of the loans and remaining 60 percent has to be repaid by the government.
		Monitoring	An efficient administrative and record keeping set up must be in place to make such a scheme successful.	We should setup a structure where all the salary is paid through the bank and monitor their incomes and where about of the students who had taken the	I think its important the scheme be independent and under an independent governing body so there is no political misuse of the loan scheme. Once they complete we	We should also use a common paying system irrespective of where you are working	we need institutions to be developed have capacity to implement	Attached to BML	

	loans. must have mechanism to monitoring their employment				
	Laws	Adequate legal framework should also be in place to ensure that loan recovery is legally enforceable	I think the government can insist to the private employers through law to pay the salary through the banks	We also need laws, we need a stronger legal framework	We need laws to be developed attached to BML
	Interest	The interest on the loan must be reasonable			A fix amount of interest is charged for the loans, borrowers have to pay 5 percent of interest on the total amount borrowed. The interest for the loans should not be more than 8 per cent
	Aims	First of all the objective of the scheme must be very clear. What are the policy objectives we are trying to address through a loan scheme must be clear.			

Table 4.3: Challenges for the Maldives in implementing a student loan scheme

Categories	themes	Interviewee 1	Interviewee 2	Interviewee 3	Interviewee 4	Interviewee 5	NSLS	Bill
Challenges	Administration	Administrative and management capacity is weak		I think the biggest challenge at the moment would be developing a good monitoring system and a loan recovery system.				BML
	Income	Determining a mechanism of accurately recording one's income from time to time.	If we had already a system where the salaries are paid through banks than it would be easy but at presently we don't so it would be very difficult so we have to go by what people say	The problem is in most of the countries they have income tax and since we don't have it its going to be very difficult.	Payment mechanism, we have also talked about framework and social responsibility. I think those are the three main fundamental things. But that's not a guarantee, its based on self declaration and if you don't declare the correct information than you are liable for the scheme	the first things is that we don't have any authoritative way of identifying any ones income		
	Recovery	Efficient collection is going to be a challenge	There is a tendency for governments to lose track of students and the money is not recovered.	monitoring system and recovery must be two challenges because we need to develop those.	There is a tendency that you can get away without paying any loans given by the government			BML guara ntor

Table 4.4: Strategies needed to overcome the challenges

Categories	themes	Interviewee 1	Interviewee 2	Interviewee 3	Interviewee 4	Interviewee 5	NSLS	Bill
Resolving the challenges	Awareness	Dissemination of information through mass media and other events			we need to make people aware, people really need to believe that they have to pay This is like a trust, if you benefit from a scheme you need to contribute to the scheme its an element of social responsibility.	So as a government what you could do is ask parents to give a personal guarantee and ask the students a personal commitment.		
	Administration	Developing systems over time, will take time. Strengthening capacity in government agencies responsible and in commercial banks. Put in place effective and easy repayment /collection practices.		There is a possibility of default we can minimize it when we develop a system for recovery		second we need institutions to be developed		
	Laws	Passing new laws and revising existing laws and regulations.	We need a more legal agreement which binds the students to pay back the loans			We need laws to be developed		

APPENDIX IV: Additional information on Maldivian education system**Background information on Maldivian education system.**

In 1978 the Maldivian government decided to unify the national education system. Under this system of schooling, the education was structured on a 5-2-3-2 cycle. That is five years of primary schooling, two years of middle school, three years of lower secondary school and two years of higher secondary. Students in lower secondary and higher secondary sit for the Cambridge Ordinary Level exams and London GCE Advanced Level exams, respectively. Currently the education system in the Maldives has been transformed to 2-7-3-2 cycle. That is 2 years of pre-primary, 7 years of primary, 3 years of lower secondary and 2 years of higher secondary

Maldives implemented an automatic promotion mechanism in the education system in the 1990s, where students are promoted from one grade to another. Increasing number of repeaters meant high expenditure for education and lack of facility to accommodate the increasing number of students. This mechanism was implemented to retain young children in the school system and preventing them from having to drop out. Since high drop out of students led to social problems such as drug abuse among young children in the country.

The policy of automatic promotion in primary and secondary grades contributed to some unintended consequences such as increasing behavioural problems in the schools and low academic quality of students and high rates of failures in Cambridge O'level exams.

Figure 4.1 shows the enrolment trends from 1999 to 2006, of students from pre-primary to higher secondary grades. Enrolment for pre-primary is lower because pre-primary education is only available in a few islands. However the net enrolment for primary grades (1 to 7) is 100 percent (SAARC 2005). The decreasing number of enrolments for primary education from 1999 to 2006 is due to the decrease in the population. Primary and lower secondary education are available in all islands. Higher secondary education is only available in a limited number of islands. Figure 4.1 indicate that fewer number of students enrol in lower and higher secondary education. Low enrolment in lower secondary education can be due to financial hardship of families. Since automatic promotion means students will be promoted even though if students fail all the subjects and education is free in all public schools from pre-primary to higher secondary. The low enrolments for higher secondary could be due to a number of reasons. Firstly, lack of academic preparedness to get a place in higher secondary.

Students are filtered according to academic excellence due to limited capacity of higher secondary schools. Secondly lack of higher secondary schools in individual islands and finally, the financial hardships of the families.

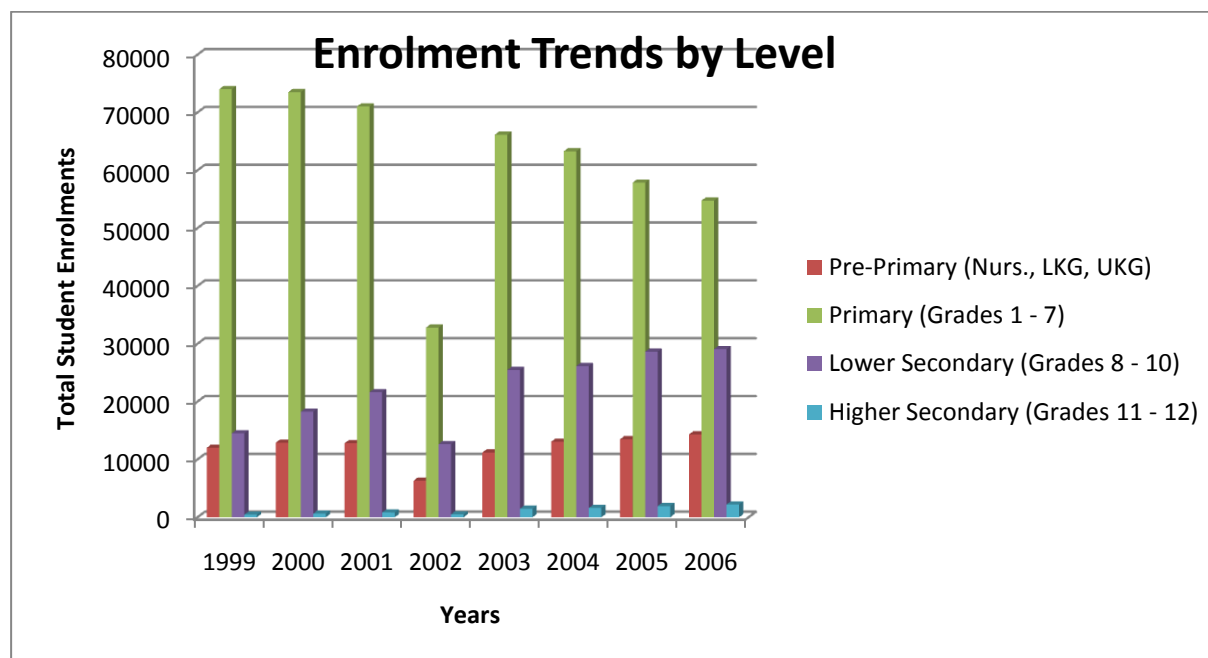


Figure 4.1: Enrolment Trends by Level
(Source: Statistical yearbook of Maldives 2008)

APPENDIX V: Clearance letter from UiO



UNIVERSITETET I OSLO
DET UTDANNINGSVITENSKAPELIGE FAKULTET

To whom it may concern

Institute for Educational Research
P.O. Box 1092 Blindern
N-0317 Oslo

Date: 2010-01-04
Your ref.:
Our ref.: kristi.barcus@ped.uio.no

Visiting address:
Sem Sælandsvei 7, Helga Eng's Building, 5th floor
Telephone: +47 22 84 44 75
Fax: +47 22 85 42 50
www.uv.uio.no

ASSISTANCE IN THE CONDUCTION OF FIELD-WORK

This is to confirm that the student, Fathimath Shakeela, born 23.10.1976 is a second year student in the Master programme in Higher Education at the Institute for Educational Research at the University of Oslo, Norway.

In the second year our students are required to write a Master thesis of 50 to 80 pages. The field-work may incorporate interviews with educational practitioners and decision-makers, class-room observation and documentary analysis. The type of data gathered should of course be discussed with the relevant authorities. It is our hope that the work produced by the student will not only benefit her in her academic career but also be of use to the future of Maldives.

We kindly ask you to give Ms. Shakeela all possible assistance during her field-work.

Yours sincerely,

Kristi Barcus
Senior Executive Officer



UNIVERSITY OF OSLO
Institute for Educational Research
Box 1092 Blindern
N-0317 OSLO

APPENDIX VI: Participant Information Sheet

Participant Information Sheet

I am a Master (MPhil in Higher Education) student at the Institute of Educational Research, University of Oslo, conducting a Research Study with the aim to analyse if the Maldives has the capacity to successfully implement a student loan scheme and to investigate how such a scheme will work in the Maldives.

As your role and contribution to the Maldivian Higher Education system makes you a key informant, I would like to request your kind participation in this research.

The research seeks no controversial information. Also, please be assured that the information disclosed will be used solely for the purposes of this research and will not be divulged to any third party.

Thank you for your interest and participation in this research.

Kind regards,

Fathimath Shakeela